

Asia	Sch 20	Indonesia	Rp 7500	Portugal	Esc 200
Bahamas	Dm 0.650	Italy	Lira 1500	S Arabia	Ri 6.000
Bahrain	Dh 0.45	Japan	Yen 150	Singapore	S\$ 4.10
Canada	Cdn 0.90	Jordan	Jds 0.50	Sri Lanka	Rs 125
Ceylon	Rs 125	Kuwait	Ku 0.50	Switzerland	Sfr 1.25
Dominican	Dm 0.80	Lebanon	Lb 1500	Taiwan	Nt 100
Egypt	Egypt 0.10	Malaysia	RM 0.25	Thailand	THB 20
France	Ffr 6.50	Mexico	Ps 200	Turkey	Lira 1.250
Germany	Dm 2.20	Norway	Nkr 1.25	U.A.E.	Dhs 5.00
Greece	Dr 100	Philippines	Php 20	U.S.A.	\$ 1.00
Hong Kong	HK\$ 12	Poland	Zloty 100		
India	Rs 15	Saudi Arabia	Ri 6.000		

World news Business summary

Widow of Gandhi assassin leads raid

Sikh militants led by the widow of one of Indira Gandhi's assassins slashed and injured many others in Amritsar during a rampage through the Sikhs' holiest shrine, the Golden Temple.

About 200 militants occupied the temple for 15 minutes before security forces stormed into the shrine to restore order, arresting nearly 150 people.

The violence marked a day when Prime Minister Rajiv Gandhi made a breakthrough in his attempt to restore peace to the Punjab with the resignation of a hardline Hindu minister. Earlier story, Page 4

Part-timers backed

European Court of Justice has ruled that part-time workers in the European Community have the same right to work and live in other member states as people in full-time jobs. Page 3

Heroin haul

Dutch police said they had made Europe's biggest heroin seizure after finding more than a fifth of a tonne of the drug, with a street value of \$20m, in the port of Rotterdam.

Governor resigns

Prime Minister Shimon Peres accepted the resignation of Bank of Israel governor Moshe Mandelbaum, who was forced to quit over a 1983 Tel Aviv stock exchange crash.

Grip tightens

Shia Muslims tightened a ring of steel around embattled Palestinian camps after crushing a rival Lebanese faction in west Beirut's heaviest street fighting for six months. Page 4

ANC members shot

Two members of the African National Congress and a third unidentified person were shot dead near Swaziland's capital, Mbabane.

Tax cuts backed

Margaret Thatcher, UK Prime Minister, attacked critics advocating higher public spending instead of tax cuts. Page 5

Build-up defended

President Reagan, increasing pressure on Congress to continue to pay for his five-year military build-up, said the US had a moral duty to support fully its armed forces.

Tamil blast dam

Tamil separatist guerrillas blew up a dam to cover their retreat after attacking a strategic army base near the Jaffna Peninsula in northern Sri Lanka.

Waldheim 'vindicated'

A spokesman for Dr Kurt Waldheim, the leading candidate in Austria's presidential election on Sunday, said Dr Waldheim had been "vindicated" following a statement by an Israeli minister that there was not enough evidence to substantiate allegations that he had actively participated in war crimes. Page 2

Leader quits

Ulf Adelsohn, leader of Sweden's opposition Conservative Party, resigned, saying he was not really suited to the job. Page 3

Meetings blocked

Police blocked a series of meetings called by the Nigerian Labour Congress to protest against police killings of students, and at least 10 NLC officials were detained.

Donors by law

Belgian parliament voted 145-31 for a new law under which all dead people will be considered transplant donors unless they have officially indicated to the contrary.

French near deal on control of Valéo

VALEO, Italian industrialist Carlo De Benedetti looks set to win management control of the leading French car components group, but Paris will try to limit his stake to 20 per cent. Page 15

TOKYO: Issues rallied to new peaks, and the Nikkei average hit a record 18,902.75, up 133.21. Page 42

WALL STREET: At 3pm the Dow Jones industrial average was 11,711 lower at 1,858.72. Page 42

LONDON: Equities rose despite fresh fund-raising operations, and the FTSE 100 rose to 1,858.72. Page 42

DOLLAR rose in London to DM 2.2789 (DM 2.2740). SF 1.8845 (SF 1.8790) and FF 1.2525 (FF 1.24), but fell to Y111.35 (Y111.35). On Bank of England figures the dollar's index was unchanged at 117.3. Page 35

STERLING fell in London to close at 1.4835. It also fell to DM 3.38 (DM 3.385), FF 10.76 (FF 10.8125), SF 2.7850 (SF 2.8050) and Y254.25 (Y256.25). The pound's exchange rate index fell 0.4 to 75.7. Page 35

GOLD fell \$0.75 to \$341 on the London bullion market. It also fell in Zurich to \$340.85 from \$342.35. Page 24

UNITED Breweries, Danish producer of Carlsberg and Tuborg lagers, said first-half sales revenues were up 12 per cent, mainly from acquisitions, and operating profits were ahead. Page 19

COMPUTERLAND founder William H. Millard plans to sell his 98 per cent stake in the computer retail franchise company. Page 19

WELLA, West German hair-care group which has a large foreign sales base, reports a fall of almost 10 per cent in net profits for the first quarter of 1986 to DM 33.3m (\$14.6m). Page 19

NORSK HYDRO, Norwegian industrial and energy group, is understood to be considering a counter-bid for Saga Petroleum, Norwegian independent oil company recently involved in merger talks with Elf Aquitaine Norge, offshoot of the French concern. Page 19

MAN COMMERCIAL Vehicles, West Germany's second-largest heavy truck producer, and Volkswagen, the car group, have renegotiated their medium-truck joint venture which has so far failed to live up to expectations. Page 19

BIODIN and Genentech, US West Coast biotechnology companies, have both received clearance to sell their respective versions of interferon - the anti-cancer agent - in the US. Page 19

HUNGARY faces extra losses of up to \$340m in exports to the West this year because of falling oil and gas prices. Page 2

BANK of Israel governor Moshe Mandelbaum resigned after a state commission blamed him and others for the 1983 Tel Aviv stock exchange crash.

TOSHIBA, Japanese consumer electronics group, blamed a 31 per cent fall in consolidated net profits to Y39.44bn (\$346m) on a recession in the semiconductor business and the yen's rise. Page 22

EXXON, the leading US oil group, said 8,200 of its 49,800 US employees had agreed to leave under a voluntary resignation scheme announced on April 22. Page 19

US STEEL and Arco, two of the biggest American steelmakers, are to combine their loss-making oil-field supply and service operations, producing a single unit with annual sales of close to \$1bn. Page 19

Australia survey We regret that the article on Australia in today's survey on Australia has appeared in an incomplete form as a result of production difficulties. A corrected version of the complete article is on page 12 of today's issue.

Pretoria's ban on all meetings fuels fears over Soweto

BY PATTI WALDMEIR IN JOHANNESBURG

THE SOUTH AFRICAN Government yesterday imposed a total ban on public meetings to commemorate the 10th anniversary on June 16 of the riots in the black township of Soweto.

The ban raises the prospect of clashes between security forces and anti-apartheid groups which had planned mass protests to mark the most important date on the black political calendar.

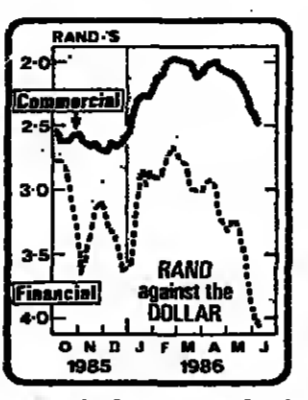
South Africa's financial rand, meanwhile, fell to a new low on foreign exchange markets, reflecting declining investor confidence. It dropped below 24 US cents, a 42 per cent discount on the commercial rand.

The ban on meetings took effect immediately and will remain in force until June 20. It was condemned yesterday by anti-apartheid activists, who predicted that violent confrontations could result. Anti-apartheid groups have called for mass demonstrations, including a one-day general strike, to mark the death of 375 blacks at the hands of police after a black schoolchildren's uprising in the township near Johannesburg in 1976.

Mr Louis Le Grange, the Minister for Law and Order, appeared to have taken the surprise step because of delays in enacting tough new security laws in time for the anniversary.

The centrepiece of the planned campaign of strikes, demonstrations and commemorative rallies was to have been a mass protest gathering at Soweto's Jabulani stadium expected to draw tens of thousands.

Under the ban, no indoor gathering, apparently including church services, can be held to mark either the Soweto uprising or the anniversary of the adoption of the so-called freedom charter on June 28 1955. Outdoor gatherings were already outlawed. The freedom charter, which outlines the shape of a post-



apartheid South Africa, has been endorsed by the banned African National Congress and the multiracial United Democratic Front.

Michael Holman writes: The seven-member Commonwealth "eminent persons group" met yesterday in London to prepare its report on efforts to initiate talks between blacks and whites in South Africa. The group had before them a letter sent in the past week by the South African Government thought to offer a conditional release for the detained ANC leader, Mr Nelson Mandela, and inviting the group back to South Africa for further discussions.

Commonwealth officials would not comment on the suggestion that the letter was seeking an assurance that police action to curb demonstrations in the wake of Mr Mandela's release would not be used as grounds for economic sanctions.

Should their report, due to be discussed by Commonwealth leaders at a mini-summit in London early in August, advise against further negotiations with Pretoria, the summit is expected to consider new economic measures against South Africa.

Investor fears, Page 4; Editorial comment, Page 16

Airbus faces challenge from new Boeing 737

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

BOEING, the US aircraft manufacturer, is to develop a new version of its best-selling jet, the 737 twin-engine short-range airliner. It is a move which will intensify its battle in world markets with Airbus Industrie of Western Europe.

Boeing's decision to go ahead with the new aircraft - the Series 400 - was announced yesterday when the company won a \$750m order for 25 of the jets from Piedmont, a US domestic airline. Piedmont has taken options on a further 30 aircraft which, if converted to firm orders, would bring the value of the deal to \$1.9m.

The price of a 737-400 is about \$30m, but spares are also included in the Piedmont deal. Further 737-400 orders are under negotiation in the US and Western Europe.

The 737-400 will have a longer fuselage than the highly successful 737-300 and will seat up to 150 passengers. It will direct rival the Airbus A-320, under development for the airliner markets of the next decade. Both aircraft will enter service in late 1988.

The 737-400 will cost an estimated \$50m to develop, against \$1.5m to \$2m for the A-320.

Boeing stressed that the 737-400 was not a panic measure to meet Airbus A-320 competition but was aimed at meeting the needs of those airlines which already used the 737 but wanted a bigger aircraft. It was for airlines that did not want to commit themselves to the A-320, preferring to wait until the more advanced technology Boeing 737 prop-fan airliner arrives in 1992.

The prop-fan is a revolutionary form of power-plant that gives up to 40 per cent better fuel consumption over existing jet engines. It is now under development in various forms by General Electric, Pratt & Whitney and Allison in the US and Rolls-Royce in the UK.

Apart from airlines seeking another version of the 737 before the arrival of the prop-fan 737, Boeing believes many existing 737 users will want to go on operating the smaller, cheaper aircraft.

As a result, Boeing foresees an eventual market for several hundred 737-400s. With more than 1,800 firm orders for 737s in all versions to date, the aircraft could eventually become the world's best-selling.

Continued on Page 18

£686m UK stores takeover

BY LIONEL BARBER AND CLIVE WOLMAN IN LONDON

THE DEE Corporation of Britain yesterday announced that it is to acquire the Fine Fare and Swoopers Paradise supermarket chains from Associated British Foods for £686m.

The deal will make Dee the UK's third largest food retailer through its Gateway, International and Carrefour stores.

The acquisition is to be partially financed by raising £330m (£319m) of equity through a vendor placing of shares, the UK's largest vendor placing and the company's third in 19 months. The terms of the share issue have led to a fierce dispute between institutional investors about the rights of a company's shareholders to participate in fresh financings.

Vendor placings, by which some shares are sold to outside investors, have aroused controversy because they usually dilute the stakes of existing shareholders.

Mr John McLehlan, chairman of the investment committee of the National Association of Pension Funds (NAPF), said last night: "We have not liked the cavalier way in which Dee has been treating its shareholders."

The dispute erupted on Tuesday when the stockbroking firm Rowe and Pitman, which is placing the deal, approached the company's largest shareholders. At least two City of London institutions, the Prudential Assurance Company and M & G Investment Management objected strongly, forcing a revision in the terms to give existing shareholders the right to apply for 75 per cent of the newly issued shares.

Under the original terms, their rights would have been limited to 25 per cent.

Mr Paddy Linacre, M & G's managing director, explained that the issue was assuming particular importance with the deregulation of the stock market in October after which financial conglomerates may offer to buy an entire issue of new shares and sell them on to outside investors.

Two other institutions however, the merchant banks Morgan Grenfell and S.G. Warburg, objected to the alteration in the terms. They said it treated existing shareholders too favourably because they will be able to assess the likely success of the issue before deciding whether to exercise their rights.

The controversy over vendor placings has been simmering for some time. The NAPF and other investment institutions objected earlier this year to stock exchange proposals to relax some of the rules on the size of vendor placings.

The issue has been particularly sensitive in the case of Dee and the way the company has financed its recent expansion. In November 1984 it increased its share capital by 55 per cent through a vendor placing to raise £180m needed to buy International Stores.

Three months ago it raised a further £278m through a second vendor placing which increased share capital by a further 34 per cent to purchase Herman Sporting Goods, the US retail group.

When the Fine Fare deal is completed, more than half of Dee's total shares will have been issued through vendor placings. The placing is being underwritten by Lazard Brothers and Swiss Bank Corporation International, one of the first occasions a European bank has entered the lucrative London underwriting market.

Lex, Page 18; Analysis, Page 26

Moscow claims US stand threatens summit

By Patrick Cockburn in Moscow

THE SOVIET UNION said yesterday that a US decision to stop complying with the Salt-2 arms limitation treaty later this year put in doubt the usefulness of a summit meeting of the superpower leaders and the present US-Soviet arms talks in Geneva.

In the toughest Soviet response yet to President Ronald Reagan's threat to cease to abide by the unratified Salt-2 treaty of 1979 Mr Alexander Bessmertnykh, the Soviet Deputy Foreign Minister, said at a press conference: "In practice the US does everything possible to undermine the prospects of a summit."

He said the Salt-1 and Salt-2 agreements were the underlying platform for the present talks on strategic and intermediate nuclear arms and space weapons in Geneva. "The platform is now being blown up," Mr Bessmertnykh said.

Existing limitations on nuclear arms agreed in the 1970s provided the framework for the negotiations in Geneva, Mr Bessmertnykh said. Once these were discarded there would be great practical difficulties in reaching agreement on any of the three interconnected topics under discussion.

He also said the US desire to discard existing arms agreements would make it difficult for the Soviet Union to take seriously US intentions to reach agreement on nuclear arms limitation at Geneva.

The tone of yesterday's press conference and comments by other Soviet leaders indicates that if the US exceeds the Salt limits no serious talks on nuclear arms limitation or other topics are possible while President Reagan is in the White House.

Mr Bessmertnykh and Marshal Sergei Akhromeyev both gave detailed denials of US claims that the Soviet Union had violated existing strategic arms limitation agreements in three main areas. These are:

● The SS-25 missile. Marshal Akhromeyev denied that the Soviet Union had developed two new intercontinental strategic missiles instead of the one allowed by Salt-2. He said the SS-25 was designated by the Soviets the RS-12M and "This is a modernisation of our RS-12 missiles." He charged the US with exaggerating the differences between the two missiles and said the Soviet Union had provided the US with detailed designs of the SS-25 to prove it did not violate Salt-2.

● The coding of signals between Soviet missiles being tested and

Growth key to exchange rates, says Volcker

BY STEWART FLEMING IN BOSTON

MIR PAUL VOLCKER, the Federal Reserve board chairman, said yesterday that faster economic growth in some of the US's key trading partners could help to stabilise international exchange rates.

In comments which echo in part remarks by Mr James Baker, Treasury Secretary, earlier this week, Mr Volcker said: "I yield to none in my feeling about the desirability of stable exchange rates. The question is how you get there."

He added: "I certainly think that when one looks at the overall economic context... it would be helpful in terms of the imbalances which are very large to see a relatively faster rate of growth in other elements of the industrialised world."

He added: "That could be a contribution towards stability in exchange rates without putting the whole burden of adjustment on the exchange rate system itself."

Central bankers from leading industrial countries emphasised the importance they attach to trying to achieve greater stability in the exchange markets.

But the officials at the International Monetary Conference in Boston made clear that they do not feel that the time is ripe to try to move to some system of "target zones" for exchange rates as a way to try to achieve this goal.

Mr Karl Otto Pöhl, the Bundesbank president, said: "We all agree more stability is desirable after the

substantial adjustment we have seen and aimed for. The question is how to get more stability."

Mr Volcker left no doubt that he believed that West Germany and Japan could do more to improve their economic performance by lowering their interest rates. Asked where he saw scope for declines in international interest rates, Mr Volcker said that countries which were in balance of payments surplus, with low inflation, high unemployment and an appreciating currency could lead the way to lower rates.

Pöhl, however, has made clear this week he does not feel that West Germany can lower its interest rates now or that additional measures to stimulate demand in an expanding German economy are needed.

One central banker, commenting on the discussions among officials, said that several had been worried by US pressure to expand their economies. In particular, he suggested, there was unease at the way Mr Baker had tried to exert that pressure by suggesting that American trading partners did not grow faster, then they would have to accept further dollar devaluation as the mechanism through which the US trade deficit would be reduced.

Continued on Page 18 Money markets, Page 35

Bonn achieves record monthly trade surplus

BY RUPERT CORNWELL IN BONN

WEST GERMANY yesterday reported a trade surplus of DM 10bn (\$4.4bn) for April - the largest surplus it has ever achieved in one month.

April's performance means that the accumulated surplus for the first four months jumped to DM 32.2bn against DM 19.1bn between January and April 1985. Experts expect a full-year surplus of anything up to DM 100bn compared with the previous record of DM 73.6bn in 1985.

The current account, which includes services and transfers, is also heading for unprecedented levels. In April alone, the surplus was DM 8.5bn, almost double the DM 4.7bn in the same month of 1985. In the first four months, it virtually trebled to DM 24.6bn - suggesting that forecasts of a record DM 60bn for 1986 as a whole may not be wide of the mark.

The record trade surplus stems from an 11 per cent leap in exports,

compared with April 1985, to DM 49.9bn. Imports, on the other hand, climbed by only 1.1 per cent from a year earlier to DM 39.9bn.

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Continued on Page 18



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EUROPEAN NEWS

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Soviets redraw danger zone around Chernobyl N-plant

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION has found some patches of serious contamination outside the 30 kilometre zone around the Chernobyl nuclear reactor site, while some places closer to the disaster site are clean and evacuees have returned.

Immediately after the accident, people and animals were evacuated from the 30 km zone but the Communist Party daily Pravda yesterday quoted a senior local official as saying the danger zone had now been re-defined.

Clean areas inside the 30 km zone were discovered and at the same time dirty patches beyond its boundaries - by detailed studies of radiation levels - Mr Alexander Petrov, the deputy chairman of the council of ministers of the Republic of Belorussia, immediately to the north of Chernobyl, told Pravda.

As a result, Mr Petrov said, "People could return to certain places, and from others it was necessary to move them even further away." The varying degree of contamination to the north of Chernobyl in the Ukraine is primarily the result of wind direction at the time of the disaster on April 26.



Mr Petrov's interview with Pravda makes clear that the evacuation zone has been refined and not expanded as stated in newsagency reports yesterday which were later withdrawn.

He did say, however, that the Belorussian authorities had felt it necessary to evacuate 60,000 children from the dangerous zone in Gomel province, immediately to the north of Chernobyl, in the north Ukraine.

The children are now in pioneer youth camps.

Their parents have been instructed not to use vegetables and fruit from their private plots. Local authorities are supplying all foodstuffs and checking what local food supplies should be buried and what can be industrially processed. Some wells have been closed and others are being thoroughly cleaned.

The Pravda article gives the impression that the Belorussian authorities were quicker and more thorough in dealing with the problem than those in the Ukraine where the Chernobyl reactor is located. The local minister of health said everybody close to the disaster had been tested for radiation sickness but no casualties had been detected.

He added that the organisation of new food supplies to replace those possibly contaminated was very complicated. "At first, many economic bosses and ordinary citizens showed a lack of concern and elementary medical illiteracy," he said. Local officials tried to inform people through local press, radio and television.

Kohl calls his Frankfurt lieutenant to the colours

BY RUPERT CORNWELL IN BONN

NO ONE had much doubt that Walter Wallmann was on his way back to Bonn: except that most people thought it would be after (and if) his Christian Democrat (CDU) party won the general election set for January 23. But the ways of Chernobyl in current West German politics are strange to behold.

Thanks to the havoc wrought by the Soviet disaster upon both the nerves of the populace at large and the Government's presentation of its nuclear safety policy, the 53-year-old mayor of Frankfurt has arrived eight months earlier than anticipated, at the Bonn cabinet table, and in its newest and hottest seat - that of the country's first-ever fully fledged Minister for the Environment.

As such, it may prove to be one of the wiser moves made by the accident-prone Chancellor Helmut Kohl of late. Not only is Mr Wallmann close to Mr Kohl: he has also long been recognised as one of the brightest of a new generation of Christian Democrat politicians, as well

as a generally competent big city mayor.

Mr Wallmann has been in Bonn before. After training as a lawyer, and an early career as a court judge in his adopted state of Hesse, he entered local CDU politics and was elected to the state parliament in Wiesbaden in 1966. Six years on, he entered the Bundestag (the lower house of Parliament). His initial impact was modest, but between 1974 and 1975 he achieved celebrity by heading the parliamentary committee investigating the Guillaume spy case, which caused Mr Willy Brandt to resign as Chancellor.

Having made a name for himself, he left the Bundestag in 1977 to run for mayor of Frankfurt. Sensationally, he overturned a solid Social Democrat (SPD) majority, and five years later proved it was no fluke by winning again, with 54 per cent of the vote. Today, he is also head of the state CDU, aiming to expel the present "Red-Green" coalition from power in Wiesbaden at the next election there, in 1987.

His record in Frankfurt is not entirely without blemish. He has run a tight conservative (and conservative) ship, and helped the city shed a little of its old image as a dull and ugly banking centre, enlivened only by left-wing demonstrations.

Mr Wallmann has reopened the handsome old opera house as a cultural and congress hall; begun a clean-up of the notorious central station district riddled with sex shops, prostitutes and drugs; and pushed on with the restoration of the Römer district in the historic heart of Frankfurt. But he has also turned one of Germany's wealthiest cities into its most indebted, to the tune of DM 5,500 (\$2,423) per head of the 600,000 population.

That, though, will be for his likely successor as Mayor, Mr Wolfram Brück, to sort out. Mr Wallmann has a far bigger challenge ahead: one which, if well met, will not only help in the battle ahead for Wiesbaden, but could unlock still higher doors in Bonn, too.

Admission by Israeli minister claimed to 'vindicate' Waldheim

BY PATRICK BLUM IN VIENNA

DR KURT WALDHEIM, the leading candidate in Austria's presidential election on Sunday, has been "vindicated" following a statement yesterday by an Israeli minister that there was not enough evidence to support allegations that he had actively participated in war crimes. It was claimed here yesterday.

The former United Nations Secretary General has been at the centre of an international controversy following allegations, which he has always denied, that he was implicated in Nazi atrocities in the Balkans during the war.

Last month, Mr Yitzhak Modai, the Israeli Justice Minister, said that a report prepared by his ministry showed that Dr Waldheim was connected, if only indirectly, to Nazi atrocities. Yesterday, however, Mr Modai said there was no evidence to show that he had participated directly in atrocities, but that there was enough evidence under Israeli law to bring charges against Dr Waldheim as an accessory to war crimes if he were in Israel.

A spokesman for Dr Waldheim said yesterday: "We have always said this. Nothing shows that there is anything to back up these allegations." He also

dismissed suggestions that Dr Waldheim could have been an accessory to war crimes.

Dr Waldheim has a lead of 6-8 percentage points over his Socialist rival in the election on Sunday.

Mr Modai said yesterday that he would present his report to a full cabinet meeting before the end of the week and that Israel would continue its investigations abroad into Dr Waldheim's past.

AP adds from Athens: The Greek Justice Minister, Mr Apostolos Kakiamanis, said Dr Waldheim's name was not on an official Greek register of war criminals but he admitted that the records were incomplete.

Justice Ministry officials found no mention of his name in a list of 5,000 people accused of war crimes committed during the 1941-44 Nazi occupation. He said an unspecified number of files had been destroyed "some years ago."

The check was made in response to a request from Greece's Central Jewish Council. No evidence has so far emerged to support claims by Greek Jews that Dr Waldheim was involved in deportations of Jews from the northwestern city of Ioannina.

Falling oil prices hit Hungary

By Leslie Collett in Berlin

HUNGARY, which is experiencing sharp economic recession, faces extra losses of up to \$340m in exports because of falling oil and gas prices.

The national oil and gas organisation said it expected a loss in sales to the West this year of \$140m. Preliminary estimates put chemical industry losses in hard currency exports at \$100m-\$200m. Hungary sold 16.8bn (€240m) worth of oil products to Western markets last year, accounting for 4 per cent of total exports. It had planned a \$400m surplus to hard currency trade this year but had a deficit of \$270m in the first quarter.

In Czechoslovakia, a senior official said economic performance of the year was ET SH CM - since was unsatisfactory in the first four months of the year. Mr Josef Krom'ny, a member of the Communist party presidium, said stocks of unsold goods had risen by Koruna 6.8bn (€755m) in the first quarter. This was greater than the increase in national income (corresponding to GNP minus exports).

"Things are being produced which are useless," he said, and more than 20 per cent of factories were not fulfilling the plan.

The rest often fulfilled and over-fulfilled the plan targets only quantitatively with a high consumption of materials, in spite of speeches made before, during and after the recent party congress, he noted. "We are not managing to shift the economy from extensive to intensive forms of management."

Italy eases controls on the price of petrol

BY JAMES BUXTON IN ROME

ITALY HAS taken a small step in the direction of liberalising the price of petrol. The rigidity of the system for setting the price of petroleum products and the restrictions on filling stations are the subject of protests by the oil companies.

The price of petrol in Italy is based on a formula related to the average of prices in other EEC countries. Until now, oil companies could not adjust the price until the Government's inter-ministerial prices committee authorised a change, in line with the formula. Frequently increases were held up for political reasons.

From now on, however, oil companies will be able to adjust the price when the formula

indicates that there should be a change, without having to wait for the committee's decision. However, they will still have to wait for the publication of the formula in the Official Gazette, though this should be automatic.

The new system, which will be in force until the end of June 1987 is a very modest change. But it has already aroused protests from the federation of filling station operators.

They believe it is only the first step towards the total liberalisation of petrol prices and the removal of many of the restrictions on the opening hours and location of filling stations.

FINANCIAL TIMES

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Hitachi's wide-ranging technologies in communication (from left to right): optical fibers, optical IC, advanced telephone exchange systems, and satellite communication.



OVERSEAS NEWS

Amal tightens Palestinian camps siege

By Nora Boustany in Beirut

SHIA AMAL militiamen tightened their siege of three Palestinian camps yesterday after suppressing Sunni Moslem opponents in the fiercest street battles in West Beirut this year. Palestinian spokesmen denied their guerrillas had been involved in heavy combat that engulfed the Tariq Jeddah quarter Monday and Tuesday. The spokesmen stressed that Palestinians entrenched in shantytowns on the southern fringes of Beirut were concentrating on a defensive battle inside the camps. The Shia Amal militia consolidated its hold over Tariq Jeddah thus ensuring better access to the embattled camps from the north. Palestinian refugee camps are ringed by Shia suburbs from the south and southeast. A joint Lebanese army and police force entrusted with security in West Beirut's recent flashpoints was still not in position yesterday.

Lebanon's pound tumbled more than two pounds during the day against the dollar yesterday to its eighth record low in two weeks, closing at 37,00/38,00, Reuter reports.

FINANCIAL RAND AT NEW LOW

Investor fears push down rand value

BY JIM JONES IN JOHANNESBURG

INVESTOR CONFIDENCE in South Africa reached a new low yesterday as the financial rand, ploughed below \$0.24 where it discounted the commercial rand by a record 42 per cent. The financial rand, reintroduced last September to help stem a flight of capital from the country, provides a direct measure of foreign investors' willingness to invest in South Africa. It also reflects pressure on foreign investors who are disinvesting by selling their assets in the Republic.

On of the causes of the financial rand's latest decline was the discovery of a foreign exchange fraud by dealers at the African Bank (AB). Since last September they have contravened exchange control regulations by sending an estimated \$17m of disinvestment funds out of the country at the more attractive commercial rand rate which is reserved for current account transactions.

Profits made through this contravention were returned to South Africa from abroad through the financial rand market, thereby creating an artificial demand for the investment currency and supporting its effective exchange rate at a level which discounted the commercial rand by about 30 per cent. With that prop gone, the financial rand now reflects heightening business and investor fears.



Mr du Plessis: GDP forecast looks optimistic

On the political front most worries centre on June 16, the tenth anniversary of the 1976 Soweto uprising. The African National Congress and the United Democratic Front have joined others in calling on black South Africans to strike on that date, and several companies—the Premier Group, the Post Office and Anglo-American among others—have decided to give their black staff time off.

But the protest call was thrown into confusion last night following a Government order banning any indoor anti-

apartheid meetings. Outdoor meetings are already banned.

Apart from political considerations, disinvestment pressures have been heightened by the fact that recession appears to be deepening despite measures introduced in the past six months. Until now the authorities have relied on interest rate cuts to get the economy going, but, though the belt-tightening prime overdraft lending rate of 14.5 per cent is 4.1 percentage points below April's 18.6 per cent inflation rate, the economy remains in the doldrums. In February manufacturing output was 2.6 per cent down on the level of a year before. Many economists now concur that GDP growth this year is likely to be less than 2 per cent rather than the 3 per cent budgeted by the Finance Minister Mr Barend du Plessis in March.

The Government has delayed introducing fiscal measures to underpin the interest rate cuts. However, it now seems that new measures, which are expected to include a cut in general sales tax and increased Government deficit spending on make-work projects such as sub-economic housing, will be introduced in Parliament on June 16.

Patti Waldmeir adds: The American Chamber of Commerce in South Africa has published a document for the "careful consideration" of its

300 member companies outlining possible acts of civil disobedience as part of a programme of helping black employees.

The chamber's president, Mr Frank Lubke, stressed that the group did not endorse civil disobedience as a policy, indicating that the document, which gives examples of possible action, is intended for members' consultation only.

Prepared by a prominent black organisation, the Get Ahead Foundation, the paper suggests that chamber members should encourage blacks to settle in white areas, in contravention of South Africa's segregated housing laws, refuse to register staff under current influx control laws which monitor the presence of blacks in urban areas, fund blacks wishing to set up businesses, even where this may contravene licensing regulations designed to keep blacks out of certain business districts and encourage the desegregation of private and state schools.

Gold Fields of South Africa, which is controlled by London headquartered Consolidated Goldfields, has dismissed 2,000 striking workers at its Green-side Colliery. The company said the stoppage was the latest in a series which had taken place since early March.

Editorial comment, Page 16

US groups told to stop Libya oil operations

By Francis Ghilès

THE US Administration has ordered US oil and oil services companies to stop operations in Libya by the end of this month. The directive stops short of demanding they shed ownership of their interests there.

Washington's amendment to temporary permits to operate in Libya, issued last February, calls for cessation of all sales of Libyan oil, payments to the Libyan Government and participation in operations and management of their Libyan oil concessions.

According to Petroleum Intelligence Weekly, the five US companies involved—Conoco, Amerasia Hess, Marathon, Occidental and W. R. Grace—have less than 10 cargoes of crude to sell before the ban takes effect. The companies estimate their assets to be worth about \$1bn but say it is impossible at present to estimate precisely the net book asset value or their fair market value.

This figure is greater than the worth of Libyan assets frozen by the US last January. Although precise figures are not available, senior Administrative officials agree that the figure stands at around \$800m.

Indian state leader's move eases way for Punjab peace accord

BY JOHN ELLIOTT IN NEW DELHI

THE CHIEF Minister of Haryana, a North Indian state adjacent to the Punjab, gave up his office yesterday in a surprise move which is expected to ease the way for the implementation of the Punjab peace accord agreed last year.

Mr Bhajan Lal, outspoken Chief Minister of Haryana for the past seven years and a leading opponent of some aspects of the accord, was replaced by Mr Bhansi Lal, India's Railway Minister who, is expected, to take a more conciliatory line. Mr Bhajan Lal was last night being tipped for a ministerial job in the central government of Mr Rajiv Gandhi, the Prime Minister, as a reward for leaving Haryana.

This important political move came a few hours before tension rose in the Sikh holy city of Amritsar where security forces moved back yesterday into the sacred Golden Temple after extremists killed a member of the civilian security task force.

There is a serious risk of violence in Amritsar this week because it is the second anniversary of the take-over of the temple complex by the Indian army. Three people were killed

Security forces re-entered the Golden Temple in Punjab hours after militants called for the overthrow of the state's moderate Sikh leadership, the Free Press of India said. Reuter reports from New Delhi

yesterday in other incidents in the Punjab. Mr Bhajan Lal was instrumental in blocking the transfer last January of the capital of Punjab, currently it is the joint capital of both Punjab and Haryana.

As part of the deal Haryana is to be given some Punjab villages and a new state capital but Mr Lal was taking an extreme line, partly because he and his government were due to stand for re-election next year and did not want to lose the support of Haryana's Hindu voters.

Mr Gandhi last week announced that the change-over of the capital and the villages would take place on January 31 and appears to have decided to prise Mr Bhajan Lal, a veteran politician, out of Haryana, to make this possible.

5% GDP rise signals recovery for Kenya

BY MARY ANN FITZGERALD IN NAIROBI

THE KENYAN economy is enjoying an economic boom with prospects for 1986 even rosier than the results turned in last year, government statistics indicate.

The 1985 GDP growth of 4.1 per cent, expected to expand to 5 per cent this year, marks a turnaround from 1984 when the economy was battered by the worst drought in half a century. GDP growth that year stagnated at 0.9 per cent.

Dr Robert Ouko, Minister for Planning and National Development, dubbed the performance "satisfactory" when he presented the 1986 economic survey last week.

For the first time in several years, the GDP expansion outstripped the population growth, which is expected to rise 2.9 per cent. The population explosion is viewed with concern by both government officials and Western aid donors. Per capita income was \$357 in 1985, up 2 per cent over 1984.

The recovery was marked by record harvests of maize and tea, and agricultural production expanded by 3.5 per cent.

Inflation stood at 10.7 per cent last year but is expected to ease to 8 per cent this year, and manufacturing output remained steady.

However, a liberal import

policy led to deficits in the balance of payments and current account. The balance of payments returned to a deficit position of just over \$100m after two years of surplus. The current account deficit widened from \$183m in 1984 to \$211.25m last year.

Tanzania is due to confront its donors at a consultative group meeting in Paris next week and prospects for a rapprochement with the IMF are good, say diplomats in Dar es Salaam.

The pivotal agreement for a standby facility, the first in six years, would unleash an additional several hundred million dollars in aid that is badly needed to revitalise the economy.

The credit is expected to be for about \$500 million (\$500m), roughly 80 per cent of Tanzania's IMF quota. If Tanzania adheres to guidelines contained in the IMF package, it could become eligible for a further credit of some \$200m, drawn from the fund's newly created structural adjustment facility.

The proposed agreement is predicted on a liberalisation of Tanzania's agricultural policy and a big devaluation of the shilling from its present level of Tsh 19.75 against the dollar. The black market rate is Tsh 160 against the dollar.

Zimbabwe pay to be raised

THE ZIMBABWE Government yesterday announced a 10 per cent increase in wages for all workers earning less than Z\$500 (£133) a month. Tony Hawkins reports from Harare. The wage award which applies to lower-paid workers in all sectors of the economy takes effect from July 1 and follows a 15 per cent pay rise a year ago. The inflation rate since mid-1985 is estimated to be more than 13 per cent implying a reduction in average real earnings.

Mr Frederick Shiro, the Zimbabwe Minister of Labour, said pay awards for higher-income groups would be progressively scaled down to give a 3 per cent increment to those earning up to Z\$36,000 annually. People earning more than that would not be entitled to any increase at all, the minister said.

Philippines growth resumes

THE PHILIPPINES GDP grew by 0.8 per cent in the first quarter of 1986 as the Government of President Corason Aquino struggles to regain public confidence and rebuild a debt-ridden nation. Samuel Senorena in Manila writes.

The turnaround, which compared with negative growths at 3.9 per cent in 1985 and 5.5 per cent in 1984, indicated progress in the country's economic health.

Mr Jaime Ongpin, the Finance Minister, yesterday reported that key economic indicators were generally upbeat as reflected in a stable currency exchange rate and a low rate of inflation which averaged 3.3 per cent from January to April.

The international reserve of the Central Bank rose to \$1.65bn as of last week. Shultz bullish, Page 5

Peking condemns Japanese history of World War Two

BY ROBERT THOMSON IN PEKING

THE Chinese Government has strongly criticised Japan's education authorities for approving a history book that the Chinese claim "retitles" Japanese aggression prior to and during the Second World War.

A Foreign Ministry official made clear yesterday that China thinks the Japanese Government has not kept a promise "to see that errors in textbooks would be corrected" by approving a controversial text that avoids the term "aggressions" and casts doubts on Japanese brutality during the war which centred on the Japanese invasion of Manchuria.

The offending text, apparently prepared by the National Conference to defend Japan, says the details of the "Nanking Incident" in which Japanese soldiers killed at least 140,000 in 1937, are still under debate. A similar glossing over of history four years ago caused a serious rift between China and Japan, with the Chinese

Government then saying that revisions of history books were counter to friendship agreements signed by the two countries.

The Foreign Ministry official said that the Government had noted Japanese press reports on the middle school text, which equates material "contrary to historical facts."

"The Japanese Government had promised to see to it that errors in textbooks would be corrected. How to look upon the facts of the war launched by the Japanese militarists should be considered as a serious matter," the official said. "Regrettably the Ministry of Education of Japan has once again done something that hurts the feelings of the Chinese people and the people of other Asian nations."

He said the Government opposes "any statement or actions that distort historical facts and perpetuate the war of aggression."



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AMERICAN NEWS

Shultz declares 'bullish' support for Philippines

By Alain Cass, Asia Editor

MR GEORGE SHULTZ, the US Secretary of State, declared yesterday that he was "bullish on the Philippines" in a speech designed to quell criticism from Manila that the Administration was lukewarm in its support for the Government of President Corason Aquino.

A foreign debt burden of over \$26bn (£17.4bn) Mr Shultz urged Mrs Aquino to develop plans to lure back capital which had fled out of the country in the years preceding the revolution. He said there was a critical need to give foreign companies considering investing in the country a sense of confidence.

Barbados waits for Barrow to deliver on election promises

By Tony Cozer in Barbados

THE sheer size of the new Barbados Government's majority has forced it to physically restructure the House of Assembly before it tackles anything else.

The new parliament cannot meet until this happens since there is simply not enough room in the Government side to accommodate all 24 of the 27 seats won by the Democratic Labour Party (DLP) in last week's elections.

Mr Errol Barrow, returning at the age of 66 as prime minister after 10 years in opposition, has a little more time to choose his cabinet and prepare for the traditional state opening of parliament.

The elections dramatically dismissed the former Barbados Labour Party Government, which had been in office since 1976 and held an 18-seat majority of 17 seats to 10 after the elections of 1981.

The former prime minister, Mr Bernard St John, and all but one of his cabinet ministers, lost their seats. Even the computer forecasts which predicted a narrow DLP win, were embarrassed by the scale of the DLP victory.

For Mr Barrow, it is a triumphant return to a position he held for three successive terms between 1961 and 1976 when his party was last in government.

Like so many leaders of developing Commonwealth countries, Mr Barrow is a product of British legal and political training in the 1950s—called to the Bar at the Inns of Court and earning an economics degree from London University.

He returned home to form the DLP with other young Barbadians discontented with the traditional leadership of the BLP at a time when the British Caribbean was moving towards independence.

His dynamic style and fresh policies carried his party to victory in the 1961 elections and it retained the Government for three successive terms during which the West Indies Federation collapsed and its island components moved individually towards independence.

For Barbados, that came in 1966 when Mr Barrow's government was at the height of its popularity.

That popularity wore thin for several reasons in its third term. People saw it as having become complacent and voted for change by returning the BLP, then under Mr Tom Adams, whose sudden death in March 1985 brought Mr St John to the prime ministership.

It says much for Mr Barrow's resilience and continuing appeal that he should have survived two election defeats to lead the DLP to victory again as the oldest candidate of either party in the elections.

Several issues contributed to the remarkable BLP demise and the largest government majority since the introduction of adult suffrage in 1981, but none was more significant than the DLP's package of tax reforms and public sector cuts.

They would have sounded more appropriate coming from President Ronald Reagan or Mrs Margaret Thatcher than from a party which claims to be socialist and which has three trade union officials among its 24 successful candidates.

"This country has been very much overtaxed," Mr Barrow told audiences during the campaign. "All of you as individuals have been subjected to taxes, levies, stamp duties, consumption taxes and endless impositions." It is the kind of language guaranteed to get an enthusiastic hearing from electorates anywhere and the DLP hammered the point in an

SEC wins insider trading case

By Terry Dodsworth in New York

THE US Securities and Exchange Commission, the watchdog for the American securities industry, has won another large settlement against a group of international investors accused of trading on insider information generally available to the investing public.

The decision, which comes only days after a flurry of new insider cases have been launched by the SEC, involved alleged profits of \$3.5m (£2.2m) made on purchases of shares in St Joe Minerals in March 1981, just before it became the subject of a takeover bid by Seagram, the Canadian drinks company.

In a Federal Court judgment in New York, two Italian bankers, Mr Giuseppe Tomo and Mr Paolo Leati, were ordered to pay back illegal profits and interest on their dealers in St Joe shares at the time of the takeover bid.

Estimates put the total value of the award at around \$5m, although it was not clear yesterday whether the SEC would recover more than \$2m which the US courts freeze in a New York account in 1981. Both of the defendants are reported to be in Europe.

TeleMexico acts to end broadcast chaos

By David Gardner in Mexico City

CHAOTIC television and radio transmission of the World Cup football game from Mexico may continue for another day or two but thereafter should improve substantially, according to European broadcasting companies.

TeleMexico, the host broadcaster, has agreed to European Broadcasting Union (EBU) demands that they appoint an operational director, Mr Victor Rojas, to co-ordinate the work of the Communications Ministry, Telmex, the state telecommunications company and the EBU itself.

The Mexican Government has also intervened, following a searing public protest by the EBU on Monday night, when the transmission chaos of the past few days was described as "the biggest disaster in the history of sports broadcasting."

At the centre of the mess is the inability of many outside broadcasting companies which have paid record service fees to TeleMexico to feed sound through the commentary channels they contracted for. Other television companies have not been receiving pictures.

At the weekend's opening games, for example, West German TV commentary was being broadcast to Canada, Spanish radio commentary was going to England and at one

stage Brazil got no sound at all. Many broadcasting companies were reduced to commentary provided either by telephone or in their home studios while watching the games on TV.

TeleMexico's appointment of Mr Rojas, a respected broadcasting technician, was described in a letter from EBU and the major broadcasting federations to Fifa, the international football federation, as "a positive step forward to improve substantially the situation."

Through Fifa is formally in charge of the tournament it is Televisa, the powerful Mexican private TV monopoly and 75

per cent shareholder in TeleMexico, which is the main organiser of and price beneficiary from the event.

Since the weekend, Televisa has come under strong pressure from both Fifa and the Government to find quick solutions to the broadcasting row, which the authorities here fear is seriously damaging Mexico's already dented image abroad.

At Tuesday's Mexico-Belgium match, President Miguel de la Madrid met with Mr Emilio Ascarraga, president of Televisa, Mr Guillermo Canedo, vice president of Televisa, Fifa and head of the World Cup organising committee, and Mr Joao

Havelange, Fifa president. According to Mr Guido Tognoni, the Fifa spokesman, Mr Ascarraga had to "assure the government and Fifa that everything that needed to be done will be done."

Many of the problems appear to be the result of bureaucratic paper shuffling, lack of co-ordination and the over-concentration of decision-making at the very top.

The constant need for signed authorisation from the top is having a sad effect on other aspects of coverage. Telexes at the International Press Centre built by Televisa still do not open until 6 pm European time.

made the information public and saw and said the US could have warned Solidarity because Colonel Wisniewski Kubiński had been removed from the country by the CIA by November 7.

Mr Urban claimed that the Reagan Administration could have revealed the information and prevented the implementation of martial law.

"Much of the love which he (President Reagan) professes for Solidarity is insincere," he said.

California limits liability awards

By Louise Kehoe in San Francisco

SEEKING AN end to the liability insurance crisis that has hit businesses and municipalities in California over the past year, the state's voters have passed a measure that will severely limit liability awards for such "non-economic" damages as "pain and suffering" in lawsuits dealing with injuries and "wrongful" death.

Proposition 51, a voters' initiative that will reverse the state's controversial liability law passed by an overwhelming 62 per cent of voters in Tuesday's state elections. The measure limits liability

damages to each defendant's share of fault. Previously in California, wealthy defendants with "deep pockets" have been required to pay all damages regardless of their degree of fault in cases where other defendants are unable to pay.

In practice, this has produced such anomalies as cities being required to pay multimillion dollar awards to the victims of uninsured drunk drivers. As a result, the insurance industry claims, liability insurance rates have been forced up, and in some cases insurance is unavailable. More than 50 cities in the

state are currently uninsured. Businessmen, doctors and schools have also been affected by the crisis.

Backers of the initiative have predicted that it will bring relief to those with insurance problems, but they are strongly opposed by consumer groups and trial lawyers. Special interest groups dipped into their own deep pockets to spend nearly \$10m (£6.8m) in efforts to elicit votes for or against Proposition 51. The campaign is believed to be one of the most expensive in California history.

Polish colonel warned US of martial law plan

By Nancy Dunne in Washington

A POLISH Colonel, serving on his country's general staff before the crackdown on the banned Solidarity trade union organisation, was a Central Intelligence Agency (CIA) spy who warned the US of the planned martial law crackdown six weeks before it was announced on December 13, 1981, the Washington Post reported yesterday.

According to the newspaper Mr Jerzy Urban, Polish Government spokesman, confirmed the story in an interview in War-

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te leader's way for... ce accord... e signals Kenya... Philippines growth... tennis Japan World War

WORLD TRADE NEWS

Scandinavian airline considers \$3bn re-equipment plan

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SCANDINAVIAN AIRLINES SYSTEMS, the joint airline of Denmark, Norway and Sweden, is studying a replacement programme for its short-to-medium range aircraft fleet through the rest of this century, that could eventually cost up to \$3bn (£2.04bn), much of it expected to be financed from internal resources.

SAS has a fleet of 60 McDonnell Douglas DC-9/MD-80 series jet airliners and eight Fokker F-27 turb-propeller airliners covering its European international and domestic operations. While all of these aircraft still have years of useful life, modernisation is continuing all the time, with new MD-80 series jets already introduced this year, with more to come.

But for the longer-term, SAS recognises that traffic growth, together with developments in short-to-medium range aircraft planned by the manufacturers, will necessitate a major long-term replacement programme before the end of the century.

The airline is studying three broad sizes of aircraft - 75-85 seats, 110-140 seats and 160-200 seats.

In the first category, possible aircraft include such turbo-prop types as the Franco-Italian ATR series and the British Aerospace Advanced Turbo-prop (ATP) and the Fokker F-100 twin-jet

Japan takes utility market by storm

EUROPEAN sales of passenger cars fitted with four wheel drive (4wd) systems will overtake those of light utility vehicles like the Land Rover within two years, according to a new study from Automotive Industry Data.

The phenomenal growth being observed by both four-wheel-drive sectors, however, is predicted to lead to a near-tripling of total European four-wheel-drive sales between last year and 1991. Just over 260,000 were sold in the 15 main West European markets last year. By 1991, AID suggests, sales will reach 800,000 units.

Proportionately much the biggest increase will be experienced by cars, sales of which will rise from 102,250 last year to just under 500,000 units over the five-year period, according to AID.

The study couples a forecast of continuing strong sales

growth in the utility sector with a warning that the main beneficiaries will be Japanese vehicle makers.

"The failure of the European manufacturers to respond to market demands with the right products will ensure that

John Griffiths assesses the enormous sales potential of four-wheel drive vehicles in Europe

Japanese imports are virtually certain to remain the dominant force in utility vehicles," says AID.

Thus, while utility 4wd sales would more than double from around 154,000 last year to 320,000 in 1991, European production of such vehicles would grow much more slowly, from

just under 100,000 last year to 135,000.

AID predicts a much stronger performance by European manufacturers in the 4wd car sector. Pointing out that 4wd car output has increased 23-fold in three years from 2,494 in 1982 to 69,000 last year, it predicts European output of 600,000 cars in 1991, representing over 5 per cent of all new car production.

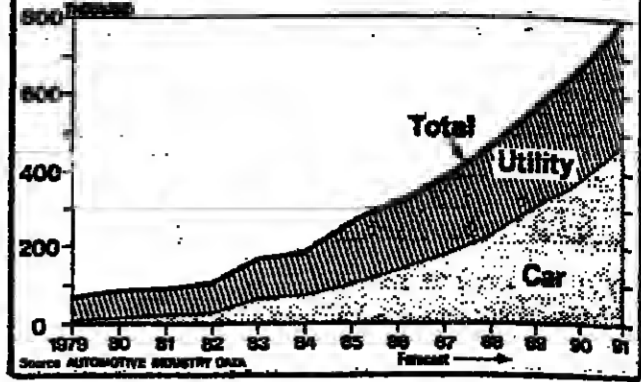
The surge for four-wheel-drive systems over two-wheel drive, it forecasts, will be reduced from an average of 30 per cent to about 10 per cent during the next five years.

While the advantages of four-wheel-drive have long been accepted in the utility sector, opinions have been divided until very recently about the virtues of 4wd for cars, given its extra cost, the study points out.

However: "The positive commercial marketing prospects for 4wd have now been recognised by the key decision-makers in virtually all passenger car companies the world over. Not just by the think tanks and advanced strategy departments, but by down-to-earth senior managers who are faced with the day-to-day product decisions."

Two years ago, only 11 makes of four-wheel-drive cars were on sale. AID points out in the first quarter of this year, 37 were available. The AID study is critical of European utility 4wd producers for failing to heed the lessons of the North American market. There, Japanese manufacturers quickly spotted that Americans were coming to view 4wd as trendy and for leisure use and developed a wide variety of vehicles to fill this role.

WEST EUROPEAN SALES OF 4WD VEHICLES



The Japanese were no less quick to realise that "Europe was similar to the US and was potentially developing into a growth market for light, cheap and rugged-looking 4wds, but which offered none of the bone-shaking product characteristics of earlier, purpose-built

models." They have since filled the marketplace with such vehicles, at European producers' expense, the study points out.

European 4 x 4 Prospects to 1991, Automotive Industry Data, 34 St John Street, Lichfield, Staffs, WS15 6PE.

Feasibility study for Sydney tunnel ordered

BY EMILIA TAGAZA IN CANBERRA

AUSTRALIA seems set to opt for a \$1.1-billion (A\$160m) underwater tunnel as the second harbour crossing for its busiest city, Sydney.

The New South Wales state government has announced that the joint venture of Transfield Proprietary Limited, of Australia, and Kumagai Gumi of Japan will start next week an A\$2m feasibility study on the project.

Mr Laurie Brereton, the NSW Minister for Public Works, said the study will be finished later this year but added he was

confident the project would go ahead and the tunnel could be in operation by 1992.

If found feasible, the 2.4km tunnel project will be 60% mechanically granted to Transfield and Kumagai, who originally proposed the project.

The NSW Government first invited proposals for Sydney's second harbour crossing in 1982. Increasing population and vehicular traffic had created bottlenecks at the only existing crossing, the Sydney harbour bridge. Four groups submitted proposals for a second bridge,

a tunnel or a combination of both, but none was deemed acceptable.

In March this year, Transfield and Kumagai submitted a design for a tunnel whose price was lower than the 1982 tunnel plan. The proposed design was based on the Hong Kong harbour tunnel which Kumagai built.

The NSW branch of this month will gauge the quality and amount of material on the bottom of the harbour, and help determine the type and design of construction materials to be used.

after the tunnel's opening.

The NSW branch of the Australian Federation of Construction Contractors said that if the tunnel project went ahead, at least 65 per cent of the work could be expected to be sub-contracted by Transfield and Kumagai.

Test drillings to be conducted this month will gauge the quality and amount of material on the bottom of the harbour, and help determine the type and design of construction materials to be used.

India set to finalise car exports order

BY JOHN ELLIOTT IN NEW DELHI

INDIA'S first major export order for cars is expected to be finalised soon by the Government in New Delhi yesterday of the second generation of 800 cc Suzuki saloons made by Maruti Udyog, the company jointly owned by the Indian Government and Suzuki.

A letter of intent has been given to Maruti by Hungary for delivery of up to 25,000 Suzuki's costing more than \$78m (£53m). They will be delivered at a rate of 50 to 500 a year depending on the extent of barter arrangements.

Hungary wants India to buy components such as spark plugs and wiper arms and blades for use in the Maruti car, as well as some defence equipment and parts for hydroelectric power stations.

Orders of five to 10 cars a month have also been received from two of India's smaller neighbours, Nepal and Bangladesh, and inquiries have been received from Czechoslovakia and Mauritius for van and four wheel drive versions.

Although these are small orders, they are a significant success for Maruti which started producing the car in November 1983, after Suzuki beat competition from European and other Japanese companies for the technical transfer joint venture. It was India's first new mass-produced car for some 30 years.

Just over 31 per cent of the car is being made in India. This is about 2 to 4 per cent of the age points less than would have been achieved if the original Suzuki model had been maintained, Mr R. C. Bhargava, man-

aging director, said yesterday. The original indigenisation programme envisaged a figure of 15 per cent, but is expected to rise to an average of 47 per cent for this financial year, ending in March, and then move towards a target of 75 per cent in 1987-88.

Suzuki owns 26 per cent of the company's equity and has an option, which it might exercise next year, to go up to 49 per cent.

The remainder is owned by the Indian Government, but Suzuki wants to increase its own fund raising and managerial freedom by privatising this shareholding.

It has suggested that 35 per cent might be owned each by Suzuki and the Indian Government, with the remaining 30 per cent being floated on India's stock exchanges. This plan has not yet been approved by the Government.

More than 85,000 Suzukis are being produced this financial year. This is helping to boost India's annual car production from under 40,000 three years ago to over 100,000 of this year, including the output of four other smaller producers.

Total Indian demand is estimated to be only 200,000 cars a year. The Government is considering how to deal with a surplus of private-sector manufacturing applications from Citroen and Peugeot of France, and Honda and Toyota of Japan, as well as applications for modernisation of existing private sector factories from Isuzu and Nissan of Japan.

Frontrunning in international banking:

SEK
AB Svensk Exportkredit
(Swedish Export Credit Corporation)
DKK up to 1,000,000,000
9 1/2% Notes Due 1993

Privatbanken A/S

- Bank Brussel Lambert N.V.
- Bankers Trust International Limited
- Banque Paribas Capital Markets Limited
- Berliner Handels- und Frankfurter Bank
- Copenhagen Handelsbank A/S
- Den Danske Bank
- Enskilda Securities Scandinaviska Enskilda Limited
- Goldman Sachs International Corp.
- Kreditbank International Group
- PKbanken
- Prudential-Bache Securities International
- Svenska Handelsbanken Group
- Union Bank of Finland Ltd.

Morgan Stanley International

- Bank Mees & Hope NV
- Banque Générale du Luxembourg S.A.
- Bergan Bank A/S
- Commerzbank Aktiengesellschaft
- Daiwa Europe Limited
- Deutsche Bank Capital Markets Limited
- Generale Bank
- Hambros Bank Limited
- Merrill Lynch Capital Markets
- Postipankki
- Sparbanken SDS
- Swiss Bank Corporation International Limited
- Westdeutsche Landesbank Girozentrale

PRIVATbanken
Aalborg

This announcement appears as a matter of record only. February 1986

KB IFIMA N.V.
KB International Financieringsmaatschappij N.V.
(Incorporated with limited liability in the Netherlands)
DKK 500,000,000
9 1/2% Guaranteed Notes Due 1993

Privatbanken A/S

Kreditbank International Group

- Algemene Bank Nederland N.V.
- Bank of Tokyo International Limited
- Bank Brussel Lambert N.V.
- Banque Générale du Luxembourg S.A.
- Banque Paribas Capital Markets Limited
- Bergan Bank A/S
- CERA
- Copenhagen Handelsbank A/S
- Crédit Lyonnais
- Den Danske Bank
- Deutsche Bank Capital Markets Limited
- Girozentrale und Bank der Oesterreichischen Sparkassen Aktiengesellschaft
- ITCB International Limited
- Morgan Guaranty Ltd
- Nederlandse Middenstandsbank nv
- Rabobank Nederland
- Sparkassen SDS
- Swiss Bank Corporation International Limited

Enskilda Securities Scandinaviska Enskilda Limited

- B.A.C. - C.O.B. Savings Bank
- Banque Internationale à Luxembourg S.A.
- Boyerische Vereinbank Aktiengesellschaft
- Breiner Handel- und Frankfurter Bank
- Commerzbank Aktiengesellschaft
- Crédit Commercial de France
- Crédit Suisse First Boston Limited
- Den norske Creditbank
- Generale Bank
- Goldman Sachs International Corp.
- Hambros Bank Limited
- Merrill Lynch International & Co.
- Morgan Stanley International
- PK Christiania (UK) Limited
- S.G. Warburg & Co. Ltd.
- Svenska Handelsbanken Group
- Union Bank of Switzerland (Securities) Limited
- Westdeutsche Landesbank Girozentrale

PRIVATbanken
Aalborg

This announcement appears as a matter of record only. March 1986

Kingdom of Sweden
DKK 500,000,000
9 1/2% Notes Due 1993

Privatbanken A/S

Enskilda Securities Scandinaviska Enskilda Limited

- Bank Brussel Lambert N.V.
- Banque Internationale à Luxembourg S.A.
- Copenhagen Handelsbank A/S
- Den Danske Bank
- Dresdner Bank Aktiengesellschaft
- Hambros Bank Limited
- Morgan Guaranty Ltd
- Postipankki
- Sparkassen SDS

Svenska Handelsbanken Group

- Banque Générale du Luxembourg S.A.
- Christiania Bank og Kreditkasse
- Crédit Commercial de France
- Deutsche Bank Capital Markets Limited
- Generale Bank
- Kreditbank International Group
- PKbanken
- Societe Generale
- Swiss Bank Corporation International Limited

PRIVATbanken
Aalborg

This announcement appears as a matter of record only. May 1986

City of Copenhagen
DKK 500,000,000
9 1/2% Notes Due 1993/98

Privatbanken A/S

Enskilda Securities Scandinaviska Enskilda Limited

- Algemene Bank Nederland N.V.
- Bank Mees & Hope NV
- Banque Générale du Luxembourg S.A.
- Berliner Handels- und Frankfurter Bank
- Copenhagen Handelsbank A/S
- Crédit Suisse First Boston Limited
- Den norske Creditbank
- Generale Bank
- Hambros Bank Limited
- Morgan Guaranty Ltd
- PK Christiania Bank (UK) Limited
- Sparkassen SDS
- Union Bank of Switzerland (Securities) Limited

Deutsche Bank Capital Markets Limited

- Bank Brussel Lambert N.V.
- Bank of Tokyo International Limited
- Banque Internationale à Luxembourg S.A.
- Commerzbank Aktiengesellschaft
- Crédit Commercial de France
- Crédit Suisse First Boston Limited
- Dresdner Bank Aktiengesellschaft
- Goldman Sachs International Corp.
- Handelsbank N.V. (Overseas) Limited
- Morgan Stanley International
- Societe Generale
- Svenska Handelsbanken Group
- Westdeutsche Landesbank Girozentrale

Yamaichi International (Europe) Limited

PRIVATbanken
Aalborg

This announcement appears as a matter of record only. May 1986

Burma plans to upgrade rice trade facilities

By Chit Tun in Rangoon

THE Burmese Government will soon launch a \$79.9m (£54.4m) project with World Bank support to modernise and upgrade the milling and storage facilities of the country's state-owned rice export industry.

Under the project, which will offer business opportunities for foreign suppliers, six electrically-powered rice mills of 33,000 tons a year milling capacity each will be set up storage facilities of 54,000 tons total capacity constructed; about 120 privately owned rice mills rehabilitated and a plant for grading and mixing rice built near the port of Rangoon, the country's capital.

The International Development Agency of the World Bank will support the project with a \$60m soft loan. Financing will also be provided by Switzerland (about \$5m), private rice-mill owners (\$2.2m) and the Burmese Government (\$48.5m).

On completion, the project is expected to increase earnings from rice exports, Burma's main source of foreign exchange income, by about \$68m annually.

UK microchip company wins Chinese order

By Peter Marsh

PLASMA TECHNOLOGY, a UK semiconductor equipment company, is to sell to China 19 machines used to etch and deposit thin layers of chemicals in the production of electronic chips. The machines are worth \$1m.

The order follows the relaxation in the rules by Cocom, the Paris-based organisation set up by Western nations to vet exports to Communist countries, on sales of advanced electronic equipment to China.

Previous efforts to export to China by Plasma Technology, which is based in Yatton, near Bristol, and expects annual sales this year of \$8m, had been held up due to fears that the equipment could be used in military applications.

Mr David Carr, joint managing director of Plasma Technology, said that since the change in the rules in January, the UK Trade and Industry Department had moved quickly in producing the necessary export licences.

The Fetton company is selling to China two types of etching and deposition equipment, both of which are essential in the complex process of chip production.

Norway develops ship for exporting salmon

BY FAY GJETER IN OSLO

A NEW TYPE of refrigerated cargo ship - a lightweight, twin-hulled vessel capable of doing 30 knots - will next month begin moving cargoes of Norwegian farmed salmon to a refrigerated terminal at Den Helder in the Netherlands. It will take fruit and vegetables from European suppliers on the return journey.

Gods-Trans, the Norwegian company which has ordered the NKV 20m (£1.7m) ship, believes it will revolutionise transport patterns in the farmed salmon trade. It says shipping the fish by the sea route will be both cheaper and faster than transporting them in refrigerated containers - the method now used to reach European markets.

Chilled and frozen salmon destined for the US is sent by air.

moving frozen and chilled cargoes, and also acts as a chilled cargo broker, buying and selling shipments. It owns the Den Helder terminal and runs a fleet of about 40 refrigerated articulated lorries. Using these, it plans to create an integrated sea-road transport system, linking on the Dutch terminal to achieve maximum possible savings in cost and time.

The vessel, Anne Line, will pick up cargoes from fish farms all along the Norwegian coast, starting in northern Norway.

Fjellstrand, the Norwegian yard which is building Anne Line, did not publish details of the order until last week. Both it and Gods-Trans were keen to keep the secret of the innovative vessel as long as possible to avoid imitation by competitors.

PRIVATbanken
The Danish Frontrunner in International Banking

THE MANAGEMENT PAGE: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

Treading the knife edge of sensuality

Feona McEwan reports on different reactions to outré advertising

ONE OF the year's most arresting commercials is for a new fragrance for women called Obsession. Take a languid young woman, a young boy with a longing look and a young man with yearning in his eyes. "Obsession" whispers the voiceover.

Acclaimed by the US public, banned from British television. Clever selling or pretentious rubbish? While opinion was divided, the US fashion designer and perfume purveyor, Calvin Klein, got selling. Just nine months after the launch, Obsession is a best seller for the exclusive US retailers which stock it.

Meanwhile in the UK, two commercials for Levis 501's, from advertising agency Baxley Bogle Hagarly, have gained a cult following and backed up the jeans market no end. In one, a muscular young blade rises from a crumpled bed, limbers up on the window frame before sinking into a bath. Levis on, to achieve the tight-fitting look beloved of 1960s youth and now back in vogue. In another, a handsome unknown removes his jeans in a busy mid-American laundrette before bundling them into a nearby washer.

Using sex to sell products has been a favourite ploy since the days of Queen Victoria, when a glimpse of stocking was something shocking. Advertisers have laced their adverts with liberal doses of spice whether remotely relevant (as in suntan oils, scent, underwear) or not (cleansing agents, kitchen wrap, cars) with varying degrees of clumsiness and crudity. In the trade press, sacks and forklift trucks were invariably draped with shepely female forms. Recently, however, sex has been presented with increasing finesse in advertising.

One man who has made a notable contribution to the debate is Barry Day, vice chairman and executive creative director of international advertising agency McCann-Erickson. Recently he entertained McCann's top clients in London to a witty treatise on the subject, based on his 30 years in the business.

"By the 1930s the female persona was neatly packaged," says Day. "Female freedom and free enterprise went hand in hand until the point was reached where it could be

assumed that it was largely advertising that led women to believe that their most important task each day was to create an alluring self-image. Products — the magical, the mythical — became a way to express yourself. You were what you wore. Advertisers continue to instill the same feeling in us all today."

Later, in the 1950s and 1960s, the concept of suggestive advertising even spread to superficially unemotive household products; the Procter and Gamble genie (with bald head and one earring), the man from Glad (as in clingfilm product Gladwrap), and the white knight on his charger (courtesy of Ajax), were among the dramatic personae. Referring to the white knight charging towards the housewife, a Colgate executive is reported to have said: "Every housewife has been waiting for a white knight since she was a little girl. When we say 'stronger than dirt,' we are saying to her 'stronger than your husband.'"

Indulge her fantasies

Day adds: "The housewife who would never seriously think of flirting with anyone but her husband could indulge her fantasies with a variety of hunky male visitors who entered her home while her husband was safely away — and she could do it courtesy of advertising."

Freed by the Swinging Sixties and the women's lib movement, sex belatedly came into the open in the advertising world in the 1970s, though, as ever advertising lagged behind real life. Just as the earlier stereotypes of women as housewife or drudge were grossly simplified, so the newer view of an all-performing wonderwoman was exaggerated. "Overnight, she was chairperson of the board, super sex symbol, loving wife, housewife extraordinaire, the ultimate over-achiever — and boring... even to herself," is the way Day sees it.

Definitions of what goes vary from culture to culture. Australia, Brazil and Japan, for instance, seem to share a strong line in the early approach. One down-under ad for Cosmopolitan magazine features a couple dressed "black tie"

arriving for a party. She removes her cape to reveal a topless dress and enters a room full of the same. The man turns to her and says: "Darling, you leave the others fat" — an ad that would never see the light of day in the US or UK.

Bob McLaren, international creative director of SSC & B: Lintas which handles the Impulse fragrance in 35 countries, knows about different social taboos. Malaysia, Pakistan and the Middle East, he says, are sensitive to any form of sexual innuendo. Western society, he believes, tends to be bored with permissiveness and responds to sensuality rather than sex. As a result, says McLaren: "There's now more realism in advertising."

The degree to which sensibilities can change over time is surprising. John Jackson, head of copy clearance at the Independent Television Company, says: "Whet is good taste changes." He recalls the days when lavatories on the small screen caused an outcry. Now the Andrex puppy, gambolling among the toilet rolls is a hot favourite with viewers. Today, sanitary protection products, currently undergoing a two-year trial on UK television, are causing complaints from the public.

One product that has been increasingly imbued with sexual allure is blue jeans. As they have moved upmarket from hard-wearing working men's wear to designer gear, jeans have come to epitomise the "you are what you wear" selling approach. Advertising has played an important part in the transition. There was Brooke Shields in the US telling us "nothing came between her and her Calvin's" and ads for wrinkled jeans in Brazil (where "wrinkling" means fooling around) showing the woman taking the lead and making a pass at the man in an aggressive lunge.

At least, says Day, in the 1950s, you knew where you were. "One thing you knew for sure, girls were girls and boys were boys. Now we have gender bending; the androgynous look made popular in pop videos has been picked up in some advertising. A Brazilian TV commercial for



Ads for Calvin Klein underwear: setting new boundaries

bedroom furniture, for instance, stars a glamorous — apparently female — model who turns out to be a man, Roberta Close, the country's well known transvestite. Klein, who Day holds to be the high priest of erotic advertising, has made sex work to his advantage. His US Obsession ads created outrage. Some Americans even cancelled magazine subscriptions in protest. Likewise his work for men's style underwear for women (see illustration) has caused a furore and done wonders for sales.

Day maintains that Klein is flustering the audience's intelligence by, for example, leaving out the product in his fragrance ads, suggesting complex relationships and playing on the sensual rather than basic aspects of sex. Klein's ability to get away with such visual sophistication is made possible by a visually educated audience, reared on pop videos and schooled in the language of film.

"Less is now more and in the end sex is less about pulsating flesh than what goes on between the ears," as Day puts it. He recalls a Martini ad featuring a kiss. In Spain the act was cut just before the lips met and the result turned a barely noticed moment into a sensual one.

Day points out: "In products like perfume where glamour is

part of the product, advertising is a key element. You buy the perfume in this way. It must have glamour." However, visually sophisticated ads are still the exception. "There's always the 1950s style ads around... but on the cutting edge we do seem to be getting more relaxed about sex, less head on about it," says Day.

"But does it work? To use sex deliberately as a means of communication is to tread a knife edge. If you use it overtly you'd better make sure it's for a product that's relevant. But if sex is used as a gratuitous attention-grabbing device, self-consciousness sets in. Embarrassment and put-downs lead to rejection which is not the object of the ad," he says. On the other hand, tasteful sensuality, humorous implication, can work perfectly well because it takes the edge off embarrassment. To share a joke takes the curse of personal confrontation. It says we have something in common. Now what is it you wanted to sell me?"

"In advertising, as in life, we're getting to the point of accepting in our new maturity that sex, though utterly important, is not really that serious. And the advertiser who gets that balance right can cross that knife edge, get safely to the other side and sell like hell."

Exporting to Japan

How Castrol oiled its path

Carla Rapoport reveals Burmah's oriental patience

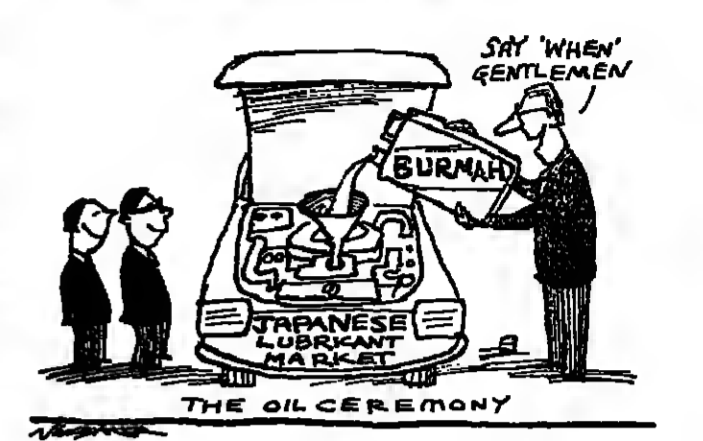
BRITISH COMPANIES, by and large, have not done too well in Japan. Big Macs and Coca-Cola can be found outside almost any major shrine or temple. BMWs are fast becoming the chosen car of the matly mobile professionals. But most well-known British goods have yet to crack the notoriously difficult Japanese consumer market.

This fact was known only too well by the UK-based Burmah Oil, which spent a fruitless 10 years in Japan selling very little and losing quite a bit of money. About four years ago, however, Burmah started doing things differently. Today, in a small but encouraging way, Burmah has a profitable, growing Japanese business.

Burmah, which now calls itself an international marketing company, made its break into Japan with Castrol, its branded motor lubricant. While Castrol's story offers no magic formula for those who are keen to emulate Burmah's achievement, it does prove, once again, that there is nothing mysterious or impenetrable about Japan. Increasingly, it seems, those who do their homework and make their investment can also make money in Japan.

Castrol's story in Japan begins with Victor Good, director of Castrol in the eastern hemisphere, who has been visiting Japan for 16 years. An experienced Good displays a mixture of curiosity, patience and old-fashioned good manners which seem to mark the successful foreign businessmen and women in Japan.

"The trouble is, so many of us come to Japan, take a quick look and say this distribution system is for the birds. We can teach them a thing or two, is the usual attitude," says Good. On the contrary, he says, foreign companies should take the time to learn how things work in Japan and then consider how to plug their products into the system.



mechanics. It was this unaffiliated distribution system that Castrol decided to zero in on. By applying market research, Good says, "we found the only way to attack would be a consumer-oriented advertising programme which would pull demand through from the customer and get retailers excited about stocking the product."

After a test-market advertising blitz, Castrol went the whole hog and started a national campaign. From 1982 to date, Castrol has pumped ¥3bn (£11.8m) into advertising, mostly on television, in Japan.

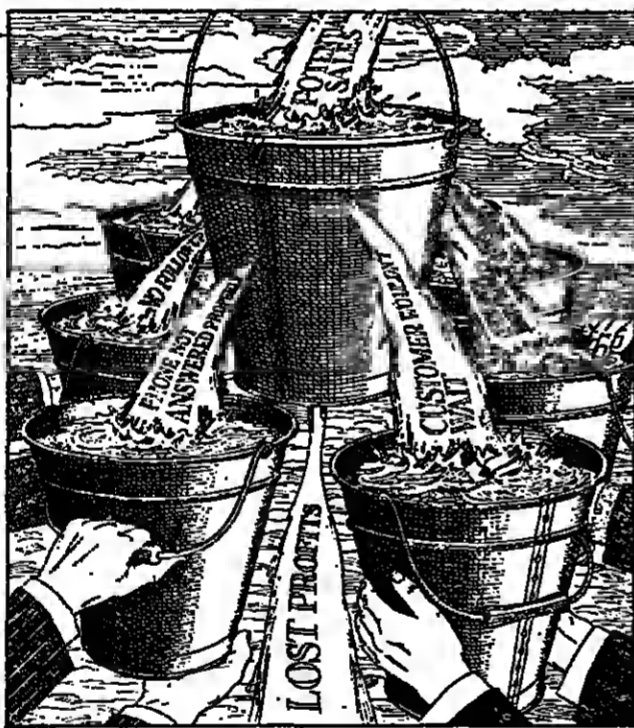
It worked. Sales, which had been stagnant for years at around 1000 tonnes a year, have jumped to 7000 tonnes, worth about \$17m. Masahiro Hashimoto, president of Castrol's Japanese company, has forecast sales of 15,000 tonnes a year by 1990.

Good had estimated that the new operation would break even in seven years, but it started earning money after three. Last year Castrol earned \$55m, of which Castrol Japan accounted for 11m, he says. Three years ago, Castrol Japan ranked last in Castrol's Eastern hemisphere sales league; now it is fourth after Australia, South Africa and India.

But Japan means more to Burmah than the consumer market for motor oil. For years, the UK company has had its eye on the large industrial oils market in Japan. The company would like to sell production oils, cutting oils and other industrial products to the Japanese industry both in Japan and in overseas production locations, says Good. To this end, Burmah spends ¥25m a year to "sustain an international motor liaison officer," who visits all the big motor manufacturers in Japan on a regular basis. He makes no sales, but simply introduces Burmah's technical people to contacts he has made at the motor-makers. Burmah, Good says, is shoring its technical know-how up to a point, in the hopes of sales in the future.

Isn't this a frustrating way to do business? "It drives me nuts in terms of the length of time it takes to do it. I've been coming here for more than a decade and I realise nothing is easy here for the foreigner. But it can be a very worthwhile market in the end."

"Why do we pay attention to Japan? It's the second largest lubricant market in the world and it would be ridiculous if we called ourselves an international marketing company and we weren't in Japan. We'd like to become here, over time, what we are in the UK and Australia," says Good. As a result, Burmah's next five years in Japan may prove more interesting than the last.



Are you giving customers away to your competitors?

HOW could we have the gall to suggest you could actually be giving away customers to your competitors? To answer that, may we ask a few questions?

If somebody reads your ad or sees your commercial, and they are eager to know more — immediately — do you make it easy for them? If you don't, then how long will it be before they see somebody else's commercial or ad? Fall in love with a competitor's product — and you lose them for ever.

Once you have got a customer interested, how do you keep that interest alive? Do you do enough to discover what is going on in that customer's mind? Do you talk to that customer, find out what turns him or her on before somebody else does and capitalises on their interest?

And here's a sore topic: what if the customer wants to complain? Should you make it easy — or difficult? Well, if you believe the secret of success in marketing is keeping your customers happy, the answer is simple. You make it easy.

For example, an FMCG company discovered only 40% of dissatisfied consumers complained by mail. Those who

You probably spend more time, money and energy on advertising than ever. But when people see your ads, how easy do you make it for them to respond? And once they have responded how much do you do to retain their interest... and, maybe even more vital, what do you do to keep your existing customers?

did were generally happy with the company's response. Those who didn't were likely to cease purchasing the brand.

A toll-free telephone number resulted in 90% of dissatisfied customers calling the company. It was more expensive. But over 90% of those callers were satisfied with the

company's response and continued to purchase the brand. The logic is obvious.

The Solution
The solution to problems like this is sitting on your desk. Although it's not new, it's the fastest growing marketing tool in the world today. It is the telephone.

A recent survey indicated that telephone marketing capacity in the U.K. has more than doubled over a 12 month period. Whilst in the U.S., the telephone is now the biggest single medium with a total of \$34.0 billion expended last year.

As the Financial Times observed recently: "Telephone marketing in Britain appears to be growing by leaps and bounds. At the forefront are British Telecom's in-bound telemarketing service Telecom Tan and its out-bound service, Telecom Telemarketing."

Here are some facts about the telephone and your customers:

I

MOST customers prefer the telephone. For instance, a theatre ticket booking agency

rang their customers as part of a priority reservation programme.

Remarkable results were achieved, producing a substantial 6-figure volume of new business. The cost of this new business? Less than 5% of revenue achieved.

2

BIG mail order catalogue companies find that 70% of customers, given a choice, like to order on the phone. It's quicker, it's easier. And, telephone operators can find out more about people's needs and sell them more, once they're talking to them on the phone. We don't know of a business where this principle doesn't apply.

3

YOU should make it easy for people to talk to you because you'll learn more, and keep customers longer. Research suggests that every dissatisfied customer tells 11 people about the way he feels; whilst every happy customer only tells 3. If you make it easier for people to tell you they are not happy — and why — you can do something about it.

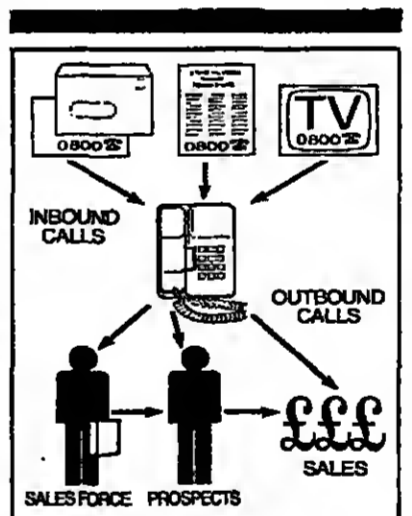
4

WHY do you lose customers? You know very well that it is much easier to keep a customer than it is to find a new one. Do you know why customers leave? Research conducted by McGraw-Hill revealed that the reason in 68% of cases was nothing to do with the quality of product or service, but quite simply that people felt "the company didn't care, and didn't communicate with them."

YOU go to great efforts to generate interest in what you sell. Advertising spending, for instance, has been rising at a disproportionate rate in recent years. Yet once that interest and enthusiasm is generated amongst the public, what happens? All too often, you do not exploit it. Sometimes in the most obvious ways.

You can liken your relationship to your customers to marriage. There is a courtship, leading to a sale, followed by a honeymoon. But all too many of these marriages end in divorce. But, as in real life, if you talk and listen to your customers, that marriage will last longer.

And the telephone is such a powerful instrument for doing this — more powerful and personal than Direct Mail, yet far less expensive than the only other alternative, the salesman.



The telephone should be a central element in your marketing mix.

Telecom's commitment to marketing

Here at British Telecom we have been committed to the use of the telephone for marketers for several years now. There is hardly an area within your business where one or other of our services cannot be of help. We can show you how to encourage telephone response — to get more from your advertising spend. We handle the calls on your behalf, giving you an instant telephone response system.

(And with services like LinkLine 0800, we make it even more appealing for consumers to respond to your ads — because it costs them nothing.)

We can show you how the telephone can be used in conjunction with other media like Direct Mail, TV, radio, or even press advertising and door-to-door to create a powerful synergy. Indeed, sometimes the telephone can produce sales from existing prospects after your other media have already done their jobs.

We can show you how to use the telephone for your prospecting. How you can build your customer lists. Get more from coupon response. Service your customers professionally, courteously, effectively. Without irritating them with hard sales pitebes.

What's more, the telephone is a powerful research tool. Our Research Shop, although it may not replace other forms of research, can give you a quick reading on key issues, enabling you to make quicker, more informed decisions — and often influence the directions of other, more formal research.

Responsive to your customers.

Today, your customers want to buy the way they want to buy — not necessarily the way you prefer to sell.

They want information 24 hours a day. Not 12 hours a day. They want it now, not 3 days later. And they want a dialogue with you. For years companies have claimed that they give the customers what they want. Very often they were merely paying lip service to this concept. It was a seller's market, and the customer had to take what was on offer. This is no longer true. The customer really is in control more than ever before.

And the one way to recognise the customer's power and to encourage him or her to deal with you is to make it easy to respond to your advertising. Moreover, the quickest way to find out what he or she wants is to talk — ask questions, get feedback.

Whilst the surest way to keep your customer and protect your market, once again, is to talk. Let the customer know you care, because you do care.

If you don't take account of these factors, your competition surely will. Smart marketers know this.

In the last two years, the following companies have used British Telecom to help them in their telephone marketing activities: American Express, N & N, Thorn-EMI, Time Magazine, Comp-U-Card, Mars Group, Budget Rent-a-Car, British Caledonian, Austin Rover, IBM, RAF, Harrods, Rank Xerox, National Westminster Bank. We'd be very happy to help you, too.

Call us free to find out more on 0800 400 400
British Telecom Telephone Marketing Services, 95 Ebury Bridge Road, London SW1W 8RL.



Nothing sells like the personal touch

British TELECOM

UK NEWS

Thatcher attacks critics of tax cuts programme

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MRS MARGARET THATCHER, Prime Minister, yesterday mounted a fresh and fierce assault on critics calling for the Government to abandon its plans for further tax cuts.



Margaret Thatcher: Keeping faith with the low-paid

and social services. The Opposition, she claimed, had tried to drown the facts "in a flood of hostile propaganda," although the Prime Minister admitted that the Conservatives' achievements had not been proclaimed loud enough.

In a characteristically defiant defence of the Government's record on public spending, Mrs Thatcher pointed to higher spending on health, on defence, the police and pensions, and said it had fought battles and won ground which other political parties had feared to take.

"Some say the time has come to relax. But success does not come to those who just want a bit of peace and quiet. That is not the way of this Government or of any responsible government for Britain can never prosper through dodged decisions, fudged choices or lost directions."

Mrs Thatcher went on to outline what she described as the "four challenges of our time," which the Conservative Government now had to address. They involved the creation of more jobs, and improvement in education standards, including the rejection of political indoctrination in favour of true learning, the challenge of East-West relations and the challenge to society from violence and intimidation.

On violence, Mrs Thatcher recounted the recent New York mugging of Lady Tucker and left her political opponents in no doubt that she identified closely with the "marvellously plucky" 87-year-old Lady Tucker, the Prime Minister said, had frightened off her assailant with "that indispensable item of equipment, the British umbrella."

She suggested it would be the last time the mugger would "have a go at a lady from Britain."

They looked to the Government, she said, to let them keep more of what they earned and saved. Caring, in its true sense, was about not overtaxing those who had to live on modest incomes and she was concerned that they were still paying too much income tax.

The message, delivered to some of her most resolutely faithful supporters at the Conservative Women's Annual Conference in London, was repeated by Mr Nigel Lawson, Chancellor of the Exchequer, who told the same gathering that the Government was "only half way" to a basic income tax rate of 25 per cent and that further reductions in the tax burden depended on keeping a firm control over public expenditure.

Mrs Thatcher, flanked by Mr Norman Tebbit, the Conservative Party chairman, and Mr Peter Archer, the deputy chairman, restated her belief in the power of tax cuts to stimulate the economy.

Lower taxes, she promised, would create more jobs and the wealth needed to sustain social services, as well as give people greater freedom to spend their money as they wished.

She said the Government intended to stick to the principles of sound financial management of setting priorities within a controlled

budget and of ensuring that resources were used effectively and efficiently.

Public services should not be measured by just how much tax payers' money they took, but more by the standards of services they provided. In a remark which could provide some comfort for those ministers and Conservative MPs calling for higher public spending at the expense of tax cuts, Mrs Thatcher said that both were possible and had already been achieved.

"Some people talk as if there were a simple choice: are you on the side of more public spending, or are you on the side of tax cuts? People who put it that way assume that the national cake is always the same size and that a bigger slice here means a smaller slice there. But it is just not true if the national cake is getting bigger," she added.

Mrs Thatcher said the Government had consistently demonstrated its commitment to the health

FAIR TRADING DIRECTOR QUESTIONS 'MERGER MANIA'

Takeover policy to be reviewed

BY DAVID BRINDLE

THE GOVERNMENT is expected this week to announce details of its long-awaited review of competition policy, covering all aspects of company mergers and restrictive trade practices.

Senior ministers are looking to the review to deal in particular with two issues: the time taken by the Monopolies and Mergers Commission to deal with references made to it and the impact that a reference can have on a merger bid.

It is felt by some ministers that the mere act of referring a bid, rather than the commission's recommendation or subsequent government decision, is increasingly being seen as a verdict. There is concern that the system could thus be deterring companies from following through their bids.

The review, which will be conducted internally but will involve outside consultations, is also expected to consider possible changes in the balance of scrutiny between the commission and the Office of Fair Trading.

The intention to hold the review was first announced last autumn and opposition politicians have been critical of the delay in progress at a time of intense merger activity in the City of London.

Ministers believe, however, that existing merger policy has been working fairly satisfactorily. They contend that while decisions on mergers have not always been universally welcomed, they have been entirely consistent in their basis in competitive factors.

Aspects of the "almost hysterical" merger boom of the last six months were criticised yesterday

by Sir Gordon Borrie, director general of the Office of Fair Trading, Richard Evans writes.

In his annual report, Sir Gordon emphasised that in his view the public interest was being safeguarded by existing rules on mergers. "The flexibility built into the system... was able to cope very well with merger mania," he said. But he expressed sympathy with those who doubted "whether the frothy and almost hysterical merger boom... was an entirely healthy phenomenon."

The substantial costs of mounting and defending bids had all to be met ultimately from the profits of the businesses which were bought and sold. These transactions, Sir Gordon declared, made heavy demands on management time and it had been suggested that the con-

stant threat of takeover might have an undesirable effect on companies' strategic planning.

As well as criticising the broader economic effects of the merger boom, Sir Gordon disapproved of some of the techniques associated with it.

He said he had not been favourably impressed by the growing emergence of paid advertising which was providing very profitable business for the professional and financial firms that advised on bids.

Sir Gordon, one of whose functions is to advise on whether proposed company merger should be referred to the Monopolies and Mergers Commission, stressed that takeovers were part of the competitive process. He would be the last to argue for extra protection for sleepy and inefficient management.

Hawley in takeover deal with Pritchard

HAWLEY GROUP and Pritchard Services Group will today announce details of an agreed takeover valuing Pritchard at a little over £150m and creating the largest company in UK office cleaning, David Goodhart writes.

Hawley, which is registered in Bermuda and has grown rapidly in the service sector of both the US and UK, originally launched a contested one-for-one share offer for Pritchard on May 13.

Despite subsequent attempts by Pritchard to seek a "white knight" with the aid of the US merchant bank Goldman Sachs, and its most recent announcement of three minor investments, Hawley has looked well placed to win control. After making its first bid Hawley immediately bought 28.9 per cent of Pritchard.

Several hours of talks have taken place over recent days between Mr Michael Ashcroft, chairman of Hawley, and Mr Peter Pritchard, chairman of Pritchard, and yesterday the companies jointly announced their suspension of their shares pending an announcement.

It is understood that in return for a recommendation to accept from the Pritchard board, Hawley has agreed to supplement its original one-for-one offer, marginally boosting the value of the bid.

Pritchard - which like Hawley has grown rapidly in the service sector on both sides of the Atlantic - became vulnerable to a bid after last month's announcement that pre-tax profits had fallen from £15m to £10m on turnover of £412m. Hawley made pre-tax profit of £33m on turnover of £391m in 1985.

EUROPE's fast reactor club is making good progress in reducing the cost of the fast reactor close to costs for present day reactor systems, the European Nuclear Congress was told in Geneva.

European electricity companies will pay for the design and construction of three commercial-sized fast reactors, called Euro 1 in France, Euro 2 in West Germany, and Euro 3 in Britain, under the European fast reactor research and development programme.

British designers believe they have already whittled away to almost nothing the one-fifth extra capital cost formerly estimated for their reactor when compared with Britain's latest advanced gas-cooled reactors nearing completion at Heysham, Lancashire.

HOUSE OF LORDS completed its longest sitting since the Second World War yesterday morning. Its debate on the committee stage of the Gas Bill finished just before 10 am after a sitting lasting 19 hours and 38 minutes. The length of the sitting was made necessary because of the strength of Labour and Alliance opposition to the Gas Bill, which privatises British Gas.

PROFIT-SHARING plans being considered by the Government will be outlined in a consultative paper next month, Mr Nigel Lawson, Chancellor of the Exchequer, said.

The plans to encourage profit-sharing were first aired in Mr Lawson's budget in March. He said that the aim was to encourage greater flexibility in pay with a view to reducing the need for companies to sack workers when their business declined, and to increasing overall levels of employment.

REDIFFUSION Simulation of the UK, which makes flight simulators for airlines, has won a multi-million pound deal from Douglas Aircraft, part of the Mc Donnell Douglas group of the US. The deal is for a flight simulator for the MD-82 airliner for the People's Republic of China.

STOCK market investors are to be given an ombudsman to arbitrate on any disputes and complainants they have against stockbrokers. The Council of the London Stock Exchange has decided to appoint the ombudsman as soon as possible so that he will be installed before the re-structuring of the stock market in late October. His terms of reference however have yet to be fixed.

Rail leader predicts takeover bids

BY PHILIP BASSETT, LABOUR EDITOR

US COMPANIES such as General Motors are likely to try to buy the remaining parts of British Rail's workshops after the latest round of job cuts and closures, Mr Jimmy Knapp, general secretary of the National Union of Railwaymen (NUR), told the House of Commons all-party transport select committee yesterday.

Leaders of the NUR and the Confederation of Shipbuilding and Engineering Unions will today spell out the details of their ballooning industrial action over the British Rail board's recent announcement of further cuts in the BR engineering (Brel) railway workshops.

Mr Knapp told the committee that the workshops had lost 17,000 jobs since 1981 and a further 8,000 jobs were to go before March, 1989. He argued that cuts of this scale were not about cost-effectiveness, but were being made in advance of privatisation. He told the committee: "It is another Landrover in the offing."

Referring to the now abandoned Government plan to sell off parts of BR, he said General Motors was one of the leading contenders for BR's truck division.

Mr Knapp said: "I am convinced that US companies such as General Motors will be in like a shot if they get the opportunity to take over the locomotive manufacturing capacity of this country."

The net effect of the reduction was that BR would no longer be able to service its own trains, and forecast that in future the board would not have the ability to build its own locomotives, but would have to rely on imports.

Mr Knapp made a plea for more investment in the industry - he said government investment in the railways should be a third higher than at present.

Mr Ray Buckton, general secretary of the train drivers' union Aslef said that there were far more breakdowns, far too many trains late and far too many people "packed in like sardines" because of financial restrictions on the railway's operation.

Channels for radiophones to be increased

By Jason Crisp

THE NUMBER of radio channels for Cellnet and Vodafone, the cellular radiophone operators, is to be doubled in central London - the one area in the UK where there are congestion problems which can limit the size of the system.

The Department of Trade and Industry (DTI) has persuaded the Ministry of Defence (MoD) to part with radio frequencies immediately below the band where the two networks are now operating.

The MoD, which does not use the frequencies in London, is understood to have agreed in principle and only a few minor details are outstanding.

The DTI's Radio Regulatory Division would only say yesterday that exploratory discussions were taking place with another government department.

Demand for cellular radio has been much higher than expected and it is regarded as one of the most successful aspects of Britain's telecommunications liberalisation.

The two companies are each investing about £500m in their networks. The 35,000th user joined the Royal Vodafone network yesterday while Cellnet, a subsidiary of British Telecom, has about 36,000.

The decision to give the networks more frequencies is intended to resolve the congestion which is expected to occur at the end of next year, when there will be nearly 200,000 car and portable telephones in the country. Cellnet has recently spent £22m expanding its capacity in London.

The new frequencies will mean Vodafone and Cellnet will have to spend more on their networks and it is expected to add about £25 to the cost of the telephones. Another snag is that existing radiophones will not be able to use the frequencies.

Both networks have recently urged the Government to give them an additional 400 channels which have been reserved for a pan-European cellular radio system which is not expected until the early 1990s. These are immediately above the 800 channels allocated for the existing service.

The DTI was reluctant to do this because it might weaken British efforts to participate in the pan-European system.

The move to seek to use military frequencies - giving about 700 channels - was taken by the DTI's Radio Regulatory Division which has close links with the MoD.

The two network operators are divided on the desirability of the move.

Mr Chris Gent, managing director of Royal Vodafone, says there may be technical difficulties in getting the mobile telephones to cover such a wide spectrum.

Mr John Carrington, chief executive of BT Mobile Communications, said this week he would like to use other frequencies. Cellnet no longer wanted the pan-European frequencies.

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UK NEWS

Ruling on damages may not be challenged

By Raymond Hughes

A COURT ruling that has exposed trade unions to damages claims from people affected by unlawful industrial action seems likely to go unchallenged.

A solicitor for the National Union of Railwaymen (NUR) and the Associated Society of Locomotive Engineers and Firemen (Aslef) said yesterday that it was "extremely unlikely" that they would appeal against a ruling by Sheffield County Court last month that they must pay £153 damages to a man who was stranded in London because of a 24-hour rail strike.

When Judge Henham gave his judgment on May 7 it was anticipated that the two unions would challenge the decision in the Court of Appeal and, if necessary, up to the House of Lords, because of its implications both for themselves and other unions.

It is likely that tactical considerations have caused the NUR and Aslef to change their minds. Not only was there no certainty that they would succeed in overturning the ruling on appeal, but a decision against them by the Appeal Court or the Law Lords would have much greater future impact than that in the County Court.

Rulings by the higher courts would be precedents binding on courts in any similar cases; that of Judge Henham binds no other judge, although it might well have considerable persuasive force.

The rail unions may be hoping that, if it is not appealed, Judge Henham's decision, unreported in any of the official law reports citable in court, will disappear from view.

Even if it does, it may not happen soon enough to help the Union of Communications Workers. Lawyers have been getting inquiries from people affected by the recent unofficial action by postal workers, asking if they can take advantage of the Sheffield ruling.

The ruling has, almost certainly, put a hitherto unsuspected power into the hands of members of the public by establishing that they can go to court and recover damages for any loss they can prove was caused by unlawful union action.

Lawson says Britain to press for EEC reform

BY HAZEL DUFFY

BRITAIN will be pushing for reform of the basics of the European Community during its six-month presidency, rather than spending time on details. Progress towards achieving the completion of the internal market and steps towards the reform of the Common Agricultural Policy (CAP) are seen as the major topics.

Mr Nigel Lawson, Chancellor of the Exchequer, gave this message yesterday to the monthly meeting of the National Economic Development Council, on which government, employers and unions are represented. There was considerable support at the meeting for the main thrust of Government policy on the EEC.

This was due largely to the announcement by the Trades Union Congress (TUC) that it was conducting a reappraisal of its position on the EEC after the accession of Spain and Portugal.

Mr Clive Jenkins, representing the TUC - which was against Britain joining the EEC - expressed strong support for the Government's efforts to reform CAP, described by Mr Rodney Bickerstaffe, of the National Union of Public Employees, as "a sick and expensive joke in a starving world."

A more cautious stance was taken by the unions on the implications of EEC policy towards freeing the capital markets. Mr Jenkins, the general secretary of the white-

collar union ASTMS, said that they feared "random changes." He called for a careful approach on the large changes in ownership and control of industry as Europe became more cohesive. He asked specifically for a sensible policy on mergers.

Disappointment was expressed by the TUC at the slower rate of growth in the EEC than in other developed regions. It called for a more interventionist industrial policy at an EEC level based on a sectoral approach.

The Government's EEC policy was welcomed by the Confederation of British Industry, particularly in relation to the internal market, agriculture, a European approach to Gett and competitiveness.

Shipping lines to share container capacity across north Atlantic

BY LYNTON McLAIN

ATLANTIC Container Line and Hapag-Lloyd of West Germany have agreed to share container capacity on each other's vessels on the north Atlantic.

The agreement, announced in London and Hamburg yesterday, is an attempt to counter excess container capacity on routes between Europe and the east coast of North America.

ACL also confirmed yesterday its intention to lengthen its five third-generation container vessels. These include the Atlantic Conveyor, built at Swan Hunter on the Tyne for Cunard, to replace the ship of the same name lost in the Falklands conflict. The vessel had its maiden voyage in

January last year. Cunard is part of Trafalgar House.

The vessels will be lengthened by 42 metres to 292 metres, just one metre shorter than Cunard's QE2. Each vessel will be able to carry the equivalent of up to 600 more containers.

The lengthening is to increase the options for ACL's future employment of its four first-generation vessels.

ACL is a partnership of six European shipping companies - Cunard Steam-Ship, Compagnie Generale Maritime of France, Wallenius Line, Swedish American Line and Transatlantic Shipping of Sweden;

and Inco-trans-Intercontinental Transport of the Netherlands.

Hapag-Lloyd is the largest shipping company in West Germany, although its vessels account for only 30 per cent of the company's business.

Mr Bengt Koch, the president of ACL, said the agreement with Hapag-Lloyd was a "fundamental change in our trade and for the two companies."

Mr Koch said the aim was to "rationalise schedules on the north Atlantic, burn less fuel, have the free use of each other's containers and to operate as one unit when dealing with suppliers of services such as stevedores."

Printers vote on Murdoch offer

BY HELEN HAGUE, LABOUR STAFF

THE DEADLINE set by Mr Rupert Murdoch's News International for acceptance of its "final offer" - to its 5,500 sacked print workers expires tomorrow.

News International, which publishes The Times, Sunday Times, Sun and News of the World, has offered a total of £50m in compensation and the company's old printing plant and offices in Gray's Inn Road, London. The workers were

sacked for going on strike over the company's move to a new printing works at Wapping, east London.

All three print unions involved in the dispute - Sogat '82, the National Graphical Association (NGA) and the Amalgamated Union of Engineering Workers - will have completed ballots on the offer by tomorrow.

The NGA began balloting its 900 sacked members at a mass meeting

last night. The members are expected to reject the offer as it does not provide for jobs or union recognition at the Wapping plant.

The 192 sacked engineers vote tomorrow.

Sogat, representing the largest number of sacked workers, will complete a secret postal ballot by 5pm today and the result is expected tomorrow. Senior officials expect it to be close.

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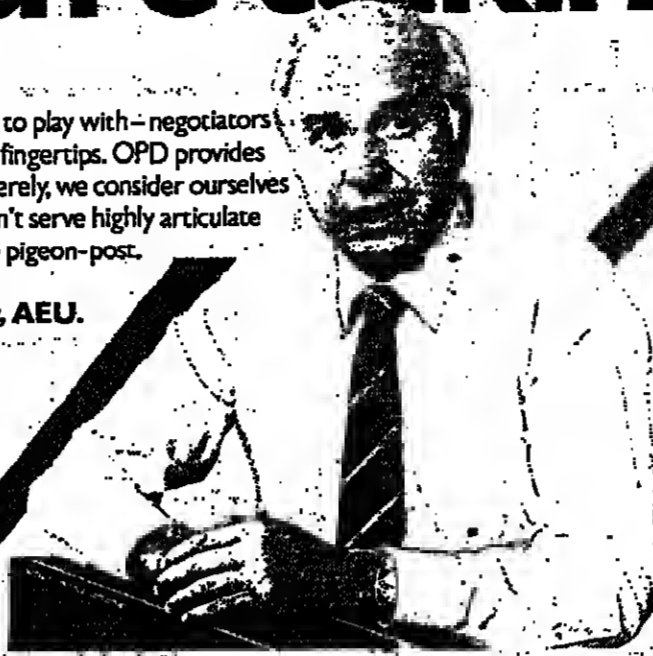
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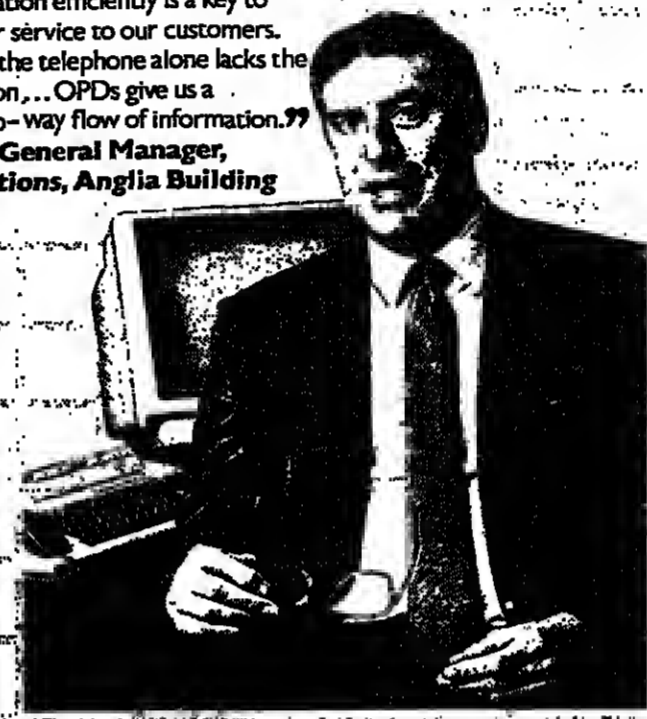
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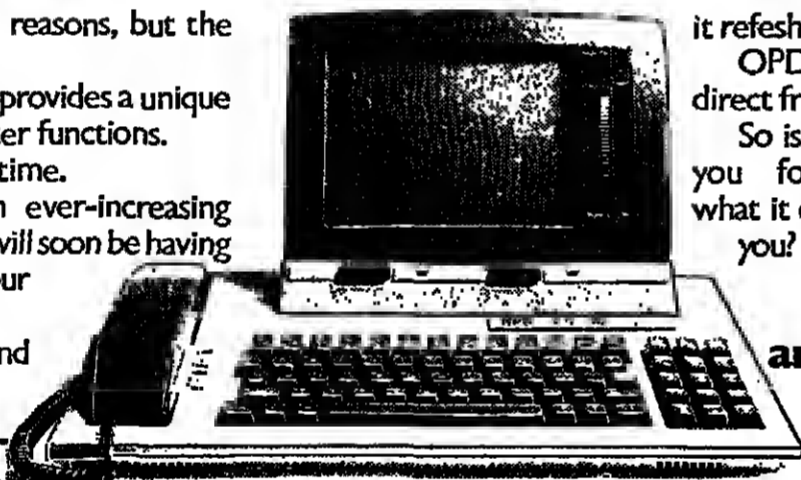


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UK NEWS

Channel Tunnel Bill finds way through parliamentary maze

BY MICHAEL CASSELL

EVEN SINCE Mrs Margaret Thatcher, the Prime Minister, and President Francois Mitterrand of France met in February to put their signatures to the Channel tunnel treaty, the French have watched with mounting incredulity as Europe's biggest civil engineering project has become bogged down in a uniquely British procedural quagmire.

The incomprehension shown in France, where a presidential decree tends to pave the way for immediate progress, has at times been shared at Westminster, where a series of unforeseen stumbling blocks have frustrated the passage of legislation designed to turn a political dream into a £3.5bn reality.

Today, the Channel Tunnel Bill will have its second reading in the House of Commons, but only after negotiating a maze of perplexing parliamentary rules and regulations rarely employed at Westminster.

The legislative problems, which some believe have come perilously close to endangering the entire project and which may yet prove a continuing source of embarrassment to the Government, stem principally from the speed with which ministers have attempted to push through parliament approval for a project which is every bit as politically controversial as it is technically impressive.

Little more than a year ago, the construction of a fixed link between England and France remained an uncertain prospect. But a renewed determination in Paris and London has since seen the political groundwork move forward at a pace which has been condemned by British opponents of the tunnel and even by supporters concerned that objectors were being denied the right to state their case.

In rapid succession, the Government has announced the Anglo-French tunnel plan, launched a competition to find the construction consortium, evaluated the bids, picked the winning team and started the legislative programme.

From the outset, ministers decided not to hold an inevitably long drawn-out public inquiry, which could have stifled the fresh political momentum attached to the project. They chose instead to opt for a hybrid bill procedure, designed to reflect the unique characteristics of the tunnel scheme and yet give objectors the chance to protest to a special select committee set up to consider the legislation.

As an essentially public bill affecting a range of private interests, most noticeably those of landowners in Kent, south-east England, the hybrid procedure was considered by ministers to be the most appropriate route. But the timing of the Anglo-French agreement, meant that the bill was introduced late in a parliamentary calendar and it immediately fell foul of the rigid timetable laid down for hybrid business.

Special dispensation for the timetable to be suspended, so that the bill could proceed, had to be sought from the Commons standing orders committee, which has not previously had to consider the fate of any late hybrid bills since 1855.

Opponents of the tunnel project, including local MPs, ferry companies and trade unions, seized their opportunity to press home their claim that the Government was attempting to stampede the bill through parliament, allowing an impossibly short period for objectors to petition the select committee.

The standing orders committee found itself in an almost unprecedented position, its decision capable of having a profound impact on the future progress on an important piece of legislation.

Faced with a choice of letting the bill proceed without further delays, sending it back to square one or extending the petitioning period, the committee's members split down the middle. Mr Harold Walker, the chairman, happily redirected the dilemma back to the Commons.

For the first time since 1920, the standing orders committee had failed to decide on whether to suspend the orders governing parliamentary business.

On Tuesday night, the House debated the issue and a broad hint from Mr David Mitchell, Transport Minister, that the Government was prepared to extend the proposed petitioning period by an extra 10 days to June 27—making 10 weeks in all—was enough for the Government to win a 198 majority in its bid to get standing orders suspended.

Mr Peter Shore, who led the Labour opposition's attack on the Government's tactics, rather than any criticism of the tunnel project itself, said the bill should be reinstated in November, so that opponents could be given a full and fair hearing.

In objecting to the Government's tactics, he found himself in agreement with several MPs on the other side of the House, like Mr Michael Howard. He, as Trade and Industry Undersecretary, was unable to voice his direct criticisms, as MP for Folkestone in Kent, of the Government.

He did so through Mr Leon Brittan, the former Trade and Industry Secretary, who pointed out that many people and organisations were opposed to the projection on economic and environmental grounds.

Today's second reading should finally divert attention away from the procedural niceties of the Channel Tunnel Bill back to the central argument over the national and local economic impact of the tunnel's construction. Ministers will be relieved at the outcome of this week's deliberations and are confident that the bill is back on course. But there could still be problems ahead before the bill wins Royal Assent, construction work can get under way and plans for a suitably grand opening ceremony in mid-1993 can be finalised.

Lord Pennock, chairman of Euro-tunnel, the Anglo-French consortium picked to build the twin 50km rail tunnels under the Channel, said yesterday that construction work was still expected to begin in April or May next year. Investors' confidence, he emphasised, would be boosted by today's second reading and any minor delay in a start to the project would not be significant in the context of a six-year construction programme.

Leading opponents of the tunnel, like Mr Jonathan Aitken, a Conservative MP for Kent, believe that the Government will deeply regret its decision to abandon the public inquiry route. "The hybrid bill procedure is about to be tested, possibly to destruction, in an unprecedented way," he says.

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UK NEWS

Unionist spirits lifted by Anglo-Irish impasse

BY HUGH CARNEY

GIVEN the past winter of dour and often violent opposition to the Anglo-Irish Agreement, and the prospect of an equally turbulent summer ahead, there is a curiously upbeat mood among some Unionists in Belfast at the moment.

After six months of living with the agreement which gives Dublin a say in the affairs of the province, the Unionist camp suddenly seems buoyed by the realisation that the accord has not achieved very much. Loyalists have seized on this as evidence of the success of their campaign against it.

"Our opposition to the agreement has been far more effective than any of us would have imagined six months ago. It has not taken root. The Anglo-Irish agreement is on the way out," declared Mr James Molyneux, leader of the Official Unionist Party (OUP), to great applause at a meeting on Monday evening.

The well-attended gathering, which was part of a series across Northern Ireland held by Mr Molyneux and the Rev Ian Paisley, leader of the Democratic Unionist Party (DUP), struck the onlooker in a number of ways. With its Bible readings, lack of public address system and singing of God Save the Queen, it illustrated the old-fashioned nature of Unionist politics. It rang with laughter as Mr Molyneux and Mr Paisley injected their speeches with jokes and banter.

The meeting also had a strangely unrealistic air because it seemed oblivious to the political impasse and paid no heed to the tensions which have existed within the OUP-DUP alliance.

The Government, fed with the Unionists' refusal to enter any talks

while the agreement remains in place, has apparently accepted the impasse for the time being. It has signalled its intention very shortly to dissolve the Northern Ireland Assembly, elections to which in the autumn might have held out the prospect of progress towards devolution.

Ministers insist that this does not imply that they have given up any hope of all party agreement on devolution, but they do say that the time is not ripe even to make a judgment on how to proceed towards it.

Nor does there appear to be any sign of concrete measures of the type advocated by the Nationalist Community as a result of the Anglo-Irish conference before the autumn. The concern is, in the words of one Northern Ireland minister, "to hold the line" against anticipated Loyalist violence over the summer.

For some months now, the spate of Protestant commemorative marches before and after July 12, when Unionists celebrate the victory of William of Orange over James II at the battle of the Boyne in 1690, has been seen by all sides as a crucial test of will that will dictate the course of events afterwards.

This is because Loyalists have declared that they will not accept any police rerouting of traditional marches away from nationalist areas which they regard as a direct response to pressure from Dublin. The Government, equally, cannot afford to give way to such a challenge to its authority.

Stuck in the middle is the predominantly Protestant Royal Ulster Constabulary (RUC), which will come under severe pressure as it did in March and April over its handling of earlier demonstrations when many RUC families were attacked by Loyalists.

Last year, the RUC rerouted only 15 out of nearly 1,000 parades and banned two, but in subsequent clashes 260 officers were injured. This year, a similarly small number may be objected to, but any rerouting will raise tempers.

Mr Peter Robinson, deputy leader of the DUP, says rerouting must be opposed but not necessarily through violent clashes with police. That, said a senior member of the paramilitary Ulster Defence Association, was wishful thinking.

The UDA believes that the attacks on the RUC in March and April had the biggest effect in slowing down implementation of the Anglo-Irish agreement and that the force is still susceptible, despite official insistence that it will not crumble.

Although the summer marches are organised by traditional groups such as the Orange Orders and the Apprentice Boys, it is the paramilitaries and groups such as the relatively new Ulster clubs, a province-wide Protestant fundamentalist organisation, that are likely to be at the sharp end.

Opinion in the province differs on to how "hot" the summer will be, but the answer seems to be being left up to the hardliners to dictate, and will depend on how much support they can muster.

Certainly, for all their upbeat statements, the two Unionist parties appear to be as governed in their options by what may happen on the street as are London and Dublin. "It's street politics which is successful and they all bloody well know that," the UDA man said.

Hopes of Geevor resumption dismissed

By Stefan Wagstyl

MR EDWARD NASSAR, who this week joined the board of stricken Geevor Tin Mines, yesterday said that it was unlikely that the mine would resume production in the near future.

Geevor on Tuesday postponed a decision to stop maintenance work and permanently close its mine after Mr Nassar was elected a director. The board intends to meet again tomorrow week.

Mr Nassar, who bought a 18.8 per cent stake in Geevor in February, yesterday dismissed hopes that the delay indicated that the company might restart mining. It ceased production in April, laying off most of its 358 workers, after it plunged into loss in the wake of the fall in tin prices which followed the international tin crisis.

Mr Ken Gilbert, Geevor's deputy chairman, who led the unsuccessful fight to win government aid for the company, said that the group was now looking at any possibilities of preserving its assets.

It might be possible to earn enough money from tourism to cover some of the maintenance costs, he said. Geevor already has a small tin mining museum.

Mr Nassar, who is based in Switzerland, is chairman of Jantar, a company with interests in the Nigerian tin industry. He also controls Blue Bird Confectionery of Birmingham, and has other interests in trading and property.

The three Cornish tin mines for which the Rio Tinto-Zinc natural resources group is seeking government aid are "potentially more viable" than the Geevor mine, according to Mr Paul Channon, Trade and Industry Secretary, David Brindle writes.

The minister has also said the Government needs to look quickly at "the whole issue of Cornwall and what can be done."

Mr Channon's comments indicate that the Government is concerned at the social and political consequences for Cornwall of the international tin crisis and is looking more favourably on the RIZ aid application than it did on that of Geevor. However, the minister stressed that he was not raising hopes of approval of RIZ's bid for assistance for the Wheal Jane, South Crofty and Pendarves mines.

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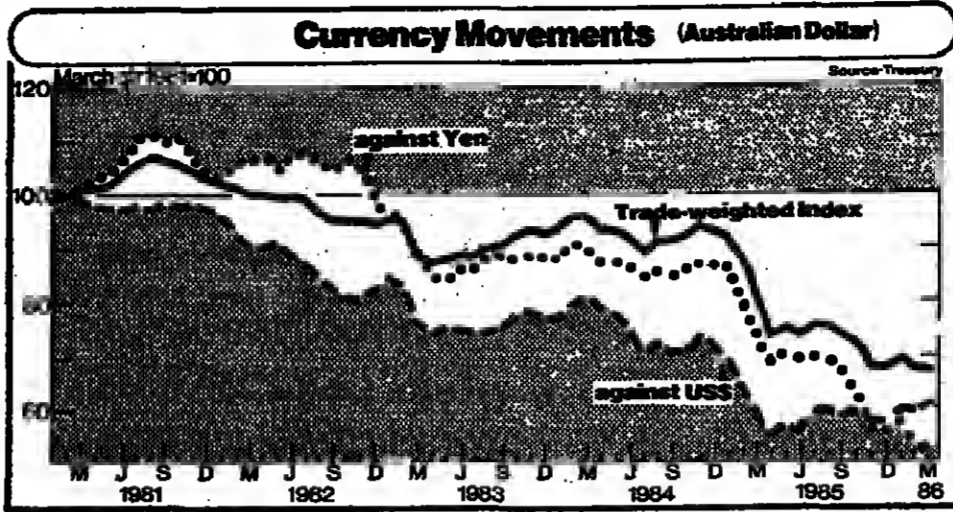
Table listing Chase Private Banking International Offices with columns for London, Channel Islands, France, Hong Kong, Luxembourg, Madrid, Milan, New York, and West Germany.

OVERSEAS NEWS

Robin Pauley examines Australia's beleaguered economy

Caught in a series of interlocking traps

THE AUSTRALIAN economy is poised like a surfer skimming a giant curling wave...



The economy has registered one of the fastest growth rates in the OECD area in recent years...

Imports that business is starting to bring in the type of semi-finished manufacturers that are a precursor to new investment...

The current account deficit rose from A\$6.4bn in 1982-83 to A\$7.3bn in 1983-84 (4 per cent)...

Mr Keating warned that it was vital that the benefits of the currency depreciation were not lost by being passed straight through in money wages...

Mr Keating's "banana republic" comment was prompted by the announcement of unexpectedly bad trade figures for April...

The trouble with further devaluation is that it can herald general inflation, encouraging stronger wage demands...

MONTBLANC THE ART OF WRITING advertisement featuring a fountain pen and descriptive text.

Table titled 'BASE LENDING RATES' listing various banks and their interest rates.

These dire warnings appear to be received with a good deal of arm's length scepticism...

Mr Bob Hawke, the Prime Minister, and Mr Keating moved early in the life of the Government to open up the economy...

However, trouble was quickly stirring up. Australia had been sustaining much of its recovery through borrowing and the private sector...

But that is not to say that there have not been some notable achievements since 1983. The crucial accord between Government and unions...

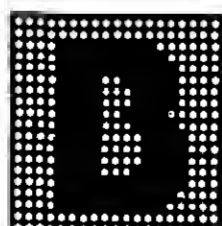
More than 600,000 new jobs have been created, which in a country with a population of just 16m...

What he did not say was that a further help, both to exports and in forcing internal living standards down...



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UK NEWS

Glaxo to sell products made by Japanese drugs company

GLAXO, the UK drug company, is to market products from Takeda, Japan's biggest pharmaceutical company...

With Takeda, and Glaxo also markets the heart drug Aciprol, from the US drug company Squibb...

Glaxo is not yet represented. From Takeda's viewpoint the move underlines the recent strong expansion of the Japanese drug industry...

Computer system at exchange defended

SIR NICHOLAS GOODISON, chairman of the London Stock Exchange, has attacked critics of the exchange's computer systems...

Trade union chief faces loss of office

MR JIM SLATER, general secretary of the National Union of Seamen (NUS) could be the first general secretary of a union to lose his position because of the 1984 Trade Union Act...

Television criticised for industrial coverage

TELEVISION journalists and much of British industry were condemned yesterday for the way that they handle the presentation of industrial topics...

Contract awarded for fuel plant

THE NATIONAL Coal Board (NCB) has awarded a contract for its first plant to liquefy coal into petrol, jet fuel and diesel fuel...

Contract awarded for fuel plant

The liquid solvent extraction process for liquefying the coal was developed by the NCB at its research laboratories in Gloucestershire...

Television criticised for industrial coverage

As an example, he said, "Many broadcasters present the problems we are experiencing at the moment, which are understandable in a period of such radical change to our technical systems..."

Contract awarded for fuel plant

The exchange's annual report for the year to March 24 1986 shows an increase in capital expenditure on new buildings, computers and other equipment...

THE ARTS

London galleries/William Packer

Portraits that capture the prizes

The contemporary portrait of one kind or another is celebrated, if celebrated it is quite the word, in several exhibitions current in London...

In his work, Stephen Finer at the Anthony Reynolds Gallery, 37 Cawper Street, EC2 —just by Old Street Station; until June 29) deals not with bare formal description, nor with the fixing of particular identity, nor the suggestion of character...

The paintings are not large but they are dense and heavy with matter. Finer's surface worked and reworked layer upon layer, into a thick impasto. Each successive skin of paint, laid on with vigorous simplicity and directness, does not so much cancel and obscure as suggestively suppress what lies beneath...



Golden Wedding, Ivy Smith's prize-winner in the Portrait Award 1986 Exhibition

distinguished as any painter of his generation. But his expressionism also casts wider resonances, for there is to it more than a hint of surrealism and further European connotations. The influence of Francis Bacon is clear enough, and something too of Dubuffet, but in the quiet concentration of the work and its intensive scrutiny, and almost obsessive endless reworking of the face and head, it is perhaps Giacometti who comes most to mind...

continues until the weekend of June 5. It is a problematical show far though it includes a fair number of good and even excellent things, overall it is the kind of thing which gives modern art a bad name. And yet it seems popular enough for the commissions pour in and Society flocks along to the private view to see itself in its own image. There is nothing remotely like Finer's work to be found at the Mall Galleries, where the annual exhibition of the Royal Society of Portrait Painters

engagement of the ambitious young artist, indeed the society should already be in the habit of canvassing every young artist in the show, and surely there can be no reason why a special invitation should not be extended regularly to the happy winners to show the following year. The Portrait Award Exhibition, was opened yesterday by the Minister for the Arts, and is on view until August 31. As I am again one of the judges, I shall not review the exhibition but I do feel free to commend it to you. Miss Ivy Smith, winner of the major award and the commission that goes with it, worth altogether £10,000, deserves especial notice for she has been a regular participant in the past and comes close to winning. Her huge multiple portrait which now carries off the prize is a true tour de force, as astonishing for its ambition and nerve as for its evident accomplishment. Do go and see it, and the excellent field it beat.

Unluckily for the author, Philip Hedley's production is an indulgent, rambling affair that outstays its initial welcome, mistaking bolsterousness for pace. Coethe ruined the Westminster production in 1907 by having two intervals. Mr Hedley goes a little better, but not much, by having one.

The play is a short, brisk and pungent one-act supervised by an acorn judge in a village court where a broken antique jug is evidence in a lighthearted but a widow's daughter's bedroom after lights out. The daughter is engaged to an upstanding young man, but she is in the pangs of pregnancy, and a visiting dignitary, and the various townfolk defer and kowtow to him while the judge, warring at the evidence, is almost revealed for the hypocrite he is.

Living transfers the action to a small Lancashire wool town but retains the period of early 19th century. George III on the throne, foreign wars, frock coats and weaving smocks, northern industrial pride. His judge is a JP, Adam Kenworthy, whom Don Crann plays as a stubble-bearded, fawning mixture of Brecht's Azdak and Gogol's Mayor. Mr Crann delighted me far five minutes by destroying the fourth wall, taking a prompt from the corner via the clerk and producing the stage manager to take a bow. But to sustain that kind of ingratiating relationship through a major

Jug/Theatre Royal, Stratford East

Michael Coveney

Jug by Henry Livings at the Theatre Royal, Stratford East, is a Lancastrian version of Kleist's The Broken Jug, performed in 1975 by the Nottingham Playhouse and here receiving only its second production. In its mixture of small-town wheedling court proceedings and community rank-closing, this is prime Livings territory.

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performance you have to be Ken Dodd or at least Ricki Fulton. The show continuously riddles an idea of Stratford East-style frothing with the humorous warmth of Lavigne's rhum. The first entrance, again, of Guy Nicholls's fragile landlady, walking lispily on eggshells with the first round of the morning session, is a delight. Smiles freeze on the lips as John Halstead's decrepit constable roars for silence in court for the tenth time, although my jaw was already setting from the minute Mr Halstead, as part of a stir-around warm-up, approached me in the foyer and invited me to feel his oranges. I much preferred the landlord's wife's

confession on stage that she had felt Kenworthy's snuff box in his breeches. Smut is much smutier at a safe distance. Tension and interest is draining away rapidly by the time young girl Eva (Angela Connolly) is truthful and touching arrives at her plea for withholding evidence as she has to live in the town for the rest of her life. And the matter is smoothed over with a convenient tale of local superstition and dark Satanic chills. The young weaver is stoutly played by David Morrissey, the widow given an unforgiving cutting edge by the admirable Kate Williams. The bold and simple in designed, with an interestingly deformed centre stage, by Uitz.



Don Crann, John Halstead and Kate Williams

Arrau/Festival Hall

Andrew Clements

A programme of Beethoven sonatas that includes both the Appassionata and the Waldstein suggests that at the age of 82 Claudio Arrau is not yet willing to make concessions to mere technical difficulty. Nevertheless his choice of works did encourage an even more magisterial thoughtfulness than usual, without the overt virtuoso showpieces that he has regularly played in recent years.

Not all good things end well, and Mitsuko Uchida's survey of Mozart's piano études has been the English Chamber Orchestra has been so full of rewards, delights and teeming imagination that Tuesday night's final instalment was plainly chaotic. For she had chosen to conclude, neatly enough, with the first and last of the concerto—the innocently cheerful K.175 (called "No. 5" nowadays, but its predecessors were to music adaptations by music by other hands) and the elusive, somewhat drained K.595, which is nobody's idea of a triumphal summation; besides, she has been heard here already in a sensitive, subdued account of that work with a big orchestra and big conductor.

Uchida's Mozart/Elizabeth Hall

David Murray

Not all good things end well, and Mitsuko Uchida's survey of Mozart's piano études has been the English Chamber Orchestra has been so full of rewards, delights and teeming imagination that Tuesday night's final instalment was plainly chaotic. For she had chosen to conclude, neatly enough, with the first and last of the concerto—the innocently cheerful K.175 (called "No. 5" nowadays, but its predecessors were to music adaptations by music by other hands) and the elusive, somewhat drained K.595, which is nobody's idea of a triumphal summation; besides, she has been heard here already in a sensitive, subdued account of that work with a big orchestra and big conductor.

At Philips a rare gold minute repeating Grand Sonoric clock watch made by A. Lange & Sohne around 1910 and hitherto kept in a sock drawer, made a substantial £42,000 — the unpublished estimate was £20,000. Less fortunate was a George III gold, enamel and gemset watch and chainelet, signed "Thos. Grog, Stockville Street". It was one of the 30 per cent of clocks and watches unsold.

A conventional range of European and Oriental porcelain from the Edward James collection was sold by Christie's at West Dean for £392,378 (without premium), the Japanese

Pacific perceptions of tomorrow's music

As well as providing the venue for a remarkable collision and cross-fertilisation of Pacific cultures, San Diego's Ring Festival also served to bring together the musical talents of composers, Harry Partch, Conlon Nanarrow and the Australian Percy Grainger, whose chief preoccupation was or has been, to devise new musical notation, and in particular new ways of performing, the sounds which they perceived to be the music of the future.

Harry Partch was born in California in 1901, and died there in 1974, having devoted his life to "reforming" the western Classical-Romantic tradition, and in particular rejecting the equal-tempered system of tuning which he replaced by just intonation and his own system of microtonal intervals. His theories—which drew more from Ancient Greece and extra-European music than anything in post-Renaissance western music—demanded new instruments, which he designed and built himself, and which he trained his own students to play. Gate 3 Ensemble is play. The instruments, now restored after several years of neglect following his death, are housed in San Diego State University. (The rationale of Partch's system, together with an elaborate critique of western musical culture, is set out in his fascinating but pretentious and dauntingly titled book, Music in Our Hands, published in 1943.)

As the finale to a concert

which also presented two gamelan orchestras — one a Californian gamelan group from San Francisco, a fine virtuoso ensemble based on the Balinese model, and another of native musicians from Java, darker-toned, less tightly in their tempo changes — the Partch Ensemble from San Diego State, under the direction of one of the composer's one-time associates, Arthur Mitchell, offered the rare opportunity to hear a major work by Partch played on the composer's original instruments.

Most of Partch's compositions were designed for the theatre, and the scores usually contain instructions which involve the instruments and their performers intimately in the stage setting — the theatrical effect arises directly from the performance of the music. Dephne of the Dunes (1958) was originally the soundtrack for a short film entitled Windsong, illustrating the myth of Daphne and Apollo. The instruments prescribed (Partch's names for them are wonderfully evocative) included claud chambee bowls (made from bugle glass jars), gourd tree, diamond unguis, cane songs (made from the heads of naval gun shells), surrogate kithara, spoils of war (made from shell ignition caps), and the chromelodeon. The music is a complex, unpretentious and haunting collage of melodic fragments and microtonal textures, applied

into short film-like cuts. This performance also used two dancers, who wove a simple pattern among the players on stage: naive but curiously touching, and I am sure whittled out by an artist's hand.

Partch built new instruments for his music, but the bums element in performance for him remained paramount. Conlon Nanarrow quickly found that no human performer could ever realise with satisfactory accuracy the music he composed, and therefore turned to mechanical means for its reproduction. He is an enigmatic figure in American music, quintessentially Californian in spirit, if not in origins. Nanarrow was born in Arkansas in 1912, but since the early 1940s has lived in self-imposed exile in Mexico, rarely travelling or receiving visitors, devoting himself single-mindedly to the composition of monumental electronic music (so far numbering 48) for mechanical player-piano.

Meets the meeting of Nanarrow (in person) and the late Percy Grainger (in spirit) took place as it were by accident during the festival at San Diego's Center for Music Experiment. Two quite distinct research projects at CME had been involved in realising on the one hand a Nanarrow player-piano Study by computer-synthesis, thereby achieving (at least in spirit) the "perfect" performance; and on the other, by similar electronic

means, one of the "Free Music" scores which Percy Grainger left completed, but unperformed, at his death in 1961. Grainger, never found the mechanical instrument which he required, although he started to build one, using vacuum-tube oscillators regulated by cut-out paper rolls (a system refined just before he died by the addition of photoelectric cells and transistors). Nanarrow found an adequate means of performing the music he heard in his head on the player-piano—but the process is immensely laborious and still subject to the constraints and vexations of mechanical operation.

Here at CME was at last the ideal equipment, the perfectly flexible instrument which both of these dedicated visionaries had foreseen, and striven far, many decades in advance of its time. Nanarrow was stunned by the computer performance of his Study No. 37, which sounded, he said, better than any realisation of his music he had ever heard. And as for Grainger, we were left merely to muse upon what extraordinary sound-cavities he might have created had he ever got his hands, at San Diego's CARL facility, on a VAX-11/780 and a couple of analog-to-digital converters.

Previous articles at the Pacific Ring Festival appeared on May 24 and 26.

Dominic Gill

Arts Guide

WEST GERMANY

Berlin, Akademie der Künste, Hans-Seatonweg 10: Life On Theatre? This exhibition displays 250 gouaches by Charlotte Salomon (1917-1941), aged 25, Auschwitz, ends June 15. Bayreuth, Iwalewa-Haus, Münzgasse 8: Art and Culture from the Congo and Zaire. About 300 paintings, cult and practical objects from the Colonial period to today. Ends June 29. Hamburg, Kunsthalle, Glockengießerwall 1: Renaissance of the North. 110 German and Dutch paintings on loan from the Paris Ecole des Beaux-Arts. Among the artists are von Buns, Dürer and Goltzius. Ends June 29. Düsseldorf, Kunstmuseum, Ehrenhof 5: Otto Pankok (1893-1966). The Past: 60 huge charcoal drawings by the German expressionist covering 1633-34. Ends Oct.

BRUSSELS Musée Royale d'Art et d'Histoire: Taiwan-based painter Wong Liu-Sang's 40 paintings of which 10 are by his pupil Chen Sian-Nan form this painter's first European exhibition. The artist will demonstrate traditional Chinese painting on June 18. Ends June 29. PARIS From Rembrandt to Vermeer: 60 chefs d'oeuvres on loan from the Mauritshuis trace a panorama of 17th-century Dutch painting with Vermeer's View of Delft with genre paintings, still lifes and landscapes. Grand Palais. Ends June 30. (0281) 54110.

MUSIC/MONDAY, OPERA AND BALLET/TUESDAY, THEATRE/WEDNESDAY, EXHIBITIONS/THURSDAY, A SELECTIVE GUIDE TO ALL THE ARTS APPEARS EACH FRIDAY.

fravour of a more open and catholic modernism. The result is an elegant, difficult and fascinating anthology. Ends June 15.

ITALY Rome, Galleria Giulia (Via Giulia 148): Mario Eustachio: Fifty large works in pastel exploring the theme of love. From the lyrical to the faintly menacing. Particularly interesting are a series of charcoal drawings illustrating extracts from the poems of Emily Dickinson. Ends June 14. Rome, Castel Sant'Angelo: Photographs and documentary material relating to the excavation of a house near the Roman forum, which has led not only to the discovery of part of the perimeter walls of the Foro della Pace, but models of works by Bernini by an artist, known as Il Cavalier Fontana, who occupied the house during the 17th century. Ends June 10.

Rome, Galleria Carlo Virgilio (Via della Luna 10): Scipione Vaccarelli (1824-84): Vaccarelli's account of his travels in Rome, London, Paris and Venice, through small and exquisite oils and watercolours. Scenes vary from the lush greens of the London parks to St Mark's Square in Venice, seen through the wind-blown curtains of the Caffè Florian. Ends June 10.

NETHERLANDS Amsterdam: Van Gogh Museum, 90 Whistler etchings from the Zelman collection follow the career of the brilliant eccentric from his Paris period, through the penetrating observation of London's dockland, the tranquility of the Venetian set, and

cloning with the late, dreamlike impressions of Amsterdam. Ends June 8.

Dordrecht Museum: A choice selection of 60 Primitivist etchings from the imposing Vedute di Roma and the progressive visions of the Carraci. Ends June 8.

Amsterdam Historical Museum, Cor Jansz's photographs of Amsterdam in the reddest 1960s, from Porros to dockworkers, happenings to street markets, and an eventual royal wedding. Ends June 22. 17th-century drawings in Teylers Museum, Haarlem: Little-known etchings by the leading masters. Ends June 14.

MADRID: Contrasts of Forms: Abstract and geometrical art sponsored and recently exhibited at MOMA, New York. 150 works by 20th century artists set out chronologically, offers a coherent display to 1980 with Braque, Léger, Picasso, Mondrian, Bibliotheca Nacional, Paseo de Recoletos 22 (435 40 03). Ends June 30.

Madrid, Claude Monet (1840-1926): The greatest living French artist, as he was called, was an innovator who revolutionised the course of modern painting by playing a leading part in the creation of a new artistic movement: Impressionism. 125 paintings on loan from private collectors and museums from all over the world will offer a good overview of his different artistic periods with a prominent representation of his most famous period at his home at Giverny, Meac - Museo Espanol de Arte Contemporaneo, Avenida Juan de Herrera 2, (449 71 50). April 29 - end June.

Barcelona: Max Ernst retrospective includes 125 works of the dadaist and surrealist painter. Fondation Joan Miró, Parc Montjuïc. Ends June 26.

VIENNA Jewellery from 1900-25: A selection of 100 pieces of Applied Art collection not usually on display. The museum began its collection in 1900. Ornamental combs by René Lalique, enamel and ivory pieces by Galliard, and beautiful jewellery using glass and semi-precious stones by the Belgians Van de Velde and Philipp Wolfers. There are also pendants, lockets, brooches, necklaces, belt buckles and rings from the masters of the Wiener Werkstätte - Hoffman, Moser and Coesbich - many on public view for the first time. Applied Arts Museum, ends June 8.

NEW YORK Japan House: Burgley House, with its earliest known record of Japanese porcelain in Europe, provides a touring exhibit that will visit the High Museum in Atlanta and then Japan through 1988 with 205 Japanese and Chinese objects dating from the 16th to the 18th centuries. Ends July 27. Museum of the City of New York: Arthur Blahut's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15. Metropolitan Museum: Two centuries of Renaissance masterpieces from

Nuremberg include 370 works in painting, sculpture, tapestries and illuminated manuscripts by Albrecht Dürer, Hans Baldung Grien, Veit Stoss and Adam Kraft. Ends June 22.

WASHINGTON Hirshhorn Museum: 75 works of the California sculptor Robert Arneson present the glazed ceramic he pioneered in what became the Funk movement in the 1960s with its irreverent view of other artists, contemporary artefacts and art itself. Ends July 6.

National Gallery: Paintings by Picasso, van Gogh, Gauguin, Matisse and Renoir are among 41 Impressionist, post-Impressionist and early modern paintings from the Hermitage and Pushkin Museums in Leningrad and Moscow making their first American trip. Ends June 15.

TOKYO Scenes of Spring: 10 works on hanging scrolls by Japanese artists Kano Tanyu, Shunso Hishida, Gyosho Yamai and others. Okura Museum, Otsumi Hotel. Ends June 15. Closed Mon. The Art of Henry Moore, 1921 to 1964: In one of the largest retrospective exhibitions ever, over 300 works (sculptures, drawings and graphics) demonstrate the artist's range and extensive output. Several sculptures have been installed in the open. Excellent catalogue with generous space for the original English. Deno Park is one of Tokyo's few open spaces, and museum hopping may be pleasantly divided by lunch at one of the park restaurants or in the open. Ends June 5.

Saleroom/Susan Moore

Records all round

Record prices were reached at Sotheby's marine sale on Tuesday. A Glipper by Hoon light sailed in at £57,200 against an estimate of £20-30,000, the top price ever paid for a Montague Dawson (1894-1973), with 18.9 per cent unsold. In the afternoon sale, which totalled £176,732, a model of The Queen Mary sold for £5,500, almost exactly fifty years after the liner's maiden transatlantic voyage. An 18th century Admiralty model of a frigate sold for £37,400, a record price for a ship model.

At Phillips a rare gold minute repeating Grand Sonoric clock watch made by A. Lange & Sohne around 1910 and hitherto kept in a sock drawer, made a substantial £42,000 — the unpublished estimate was £20,000. Less fortunate was a George III gold, enamel and gemset watch and chainelet, signed "Thos. Grog, Stockville Street". It was one of the 30 per cent of clocks and watches unsold.

A conventional range of European and Oriental porcelain from the Edward James collection was sold by Christie's at West Dean for £392,378 (without premium), the Japanese

contingent of far greater quality than average country house collections. A handspan green and yellow faience bottle vase made £14,000, as did a particularly fine famille rose coral-ground vase estimated at £2-300. The highlight of yesterday's session was a Sevres hub pot of about 1775 decorated with two Orientals on a sea-saw which sold for £19,000. Two Derby groups of a shepherd and shepherdess (modelled by J. J. Spangler), dated around 1830, made £1,900.

More in keeping with James's professed passion for animals was the group of fully articulated iron models of birds, insects, crustacea, fish and dragons from 19th century Japan. A three-clawed dragon made £1,700.

Sotheby's at Chester presented an even less appealing array of 19th century medical and dental instruments, including amputation saws and a brass enema. Its 46 early amusement machines were more entertaining and included an Art Deco Jennings "Little Duke", resembling a crushed fender, bought by a Swiss dealer for £825, and a Mills "Cowboy" fruit machine which made £1,760. Auction records were again set by a large German Steiff Teddy Bear of around 1904. Sold for £5,280, it broke the previous Teddy record of £3,740 made last November.

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In 1982 came advanced electronic systems to reduce production costs; fuel-saving cutoff and Digiplex ignition systems to reduce our cars' running costs; and computers that transformed every stage in the research and development of future Fiats.

In 1983 we reaped the first reward of this investment when the Uno was launched – fittingly – at Cape Canaveral. Fittingly because the launch location highlighted Fiat's objective of employing increasingly sophisticated technology; for the Uno, robots were used on a large scale for the first time. 1983 also saw the launch of the Regata and the Panda 4x4.

1984 was another high point for Fiat – it was the year in which our sales in Europe outstripped those of any other car maker, the year in which the Fiat Uno was voted Car Of The Year, and the year in which we launched the highly acclaimed Regata Weekend estate car.

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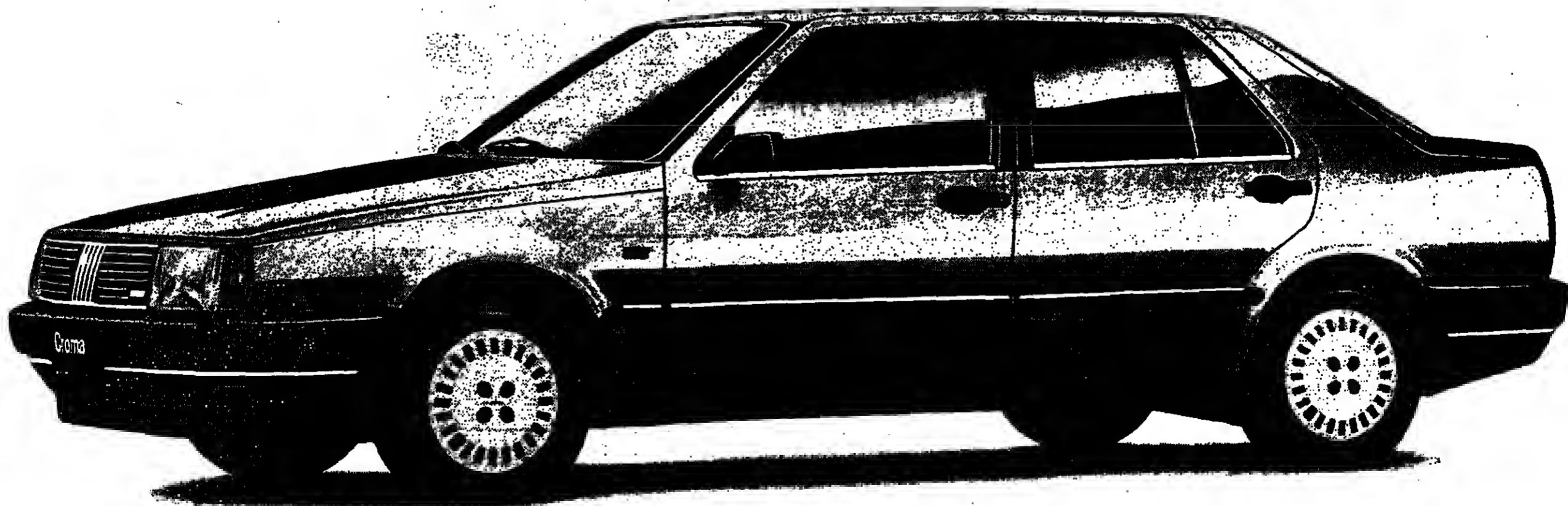
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FINANCIAL TIMES

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Thursday June 5 1986

The purpose of sanctions

BRITAIN HAS reached a watershed in its policies towards South Africa. The tortuous progress of President P. W. Botha's reform programme, ambivalent and ambiguous nature of Pretoria's commitment to an equitable society, and the increasing call from black South Africans for international action against apartheid all require that Britain send a clear message to South Africa. This week the seven member Commonwealth Eminent Persons' Group is meeting in London to prepare a report on its efforts to initiate a dialogue between black and white in the republic. Its assessment of Mr Botha's intentions, due to be discussed by a mini summit of Commonwealth leaders in August, will be crucial to Britain's next step.

If the group is satisfied that the South African Government is prepared to move further and faster with reform and begin constitutional negotiations, leaders including Mr Nelson Mandela of the African National Congress (ANC), a complex negotiating process will get under way in which the Eminent Persons may play a major role. If, as seems more likely, the group reports failure in its efforts, Britain should give notice that, in consultation with the Commonwealth, Europe and the US, it intends to introduce fresh economic measures against South Africa.

Opponents of sanctions offer four main reasons for their stand. They maintain that further economic measures, such as oil embargoes are the principal sanctions already in effect) do not have the support of blacks, whose jobs will be placed in jeopardy if they are driven into an intransigent laager, could leave the vulnerable economies of black states in the region open to South African retaliation and what is more, they do not work.

Destabilising actions
Events over the past two years have undermined this case. Judging black opinion on sanctions is not easy. South African law makes it serious offence to advocate trade embargoes or disinvestment. But more and more blacks, led by Bishop Desmond Tutu, are prepared to break the law. Chief Gatsha Buthelezi is the only black leader of substance who argues against sanctions. As far as can be judged, the majority of blacks support the sanctions which will hasten the end of apartheid.

The response of the white community is more difficult to assess. Propaganda in the larger theory may point to the surge of far right activity in recent weeks. Ministers have tried to turn this development to their advantage, telling the outside world that the practice of Apartheid is a measure of

the far reaching nature of Mr Botha's reforms and the political risks he faces. This backlash, however, is part of the steady disintegration of white rule now under way, unprompted by sanctions. What Mr Botha has failed to do is win over moderate whites (and blacks) by pursuing reform more vigorously, and thus compensating for the emergence of the ultra-conservatives.

The message from the black front line states is unequivocal. South Africa's raids last month on alleged targets of the African National Congress in three neighbouring countries brought renewed calls for their dependence on South African trade and transport that the states themselves cannot impose an embargo.

Good offices
What, finally, of the assertion that sanctions do not work? The oil embargo has proved ineffectual, though South Africa is paying a high price for its circumvention. By contrast the decision last year by US banks to refuse to roll-over short term loans to the republic exacerbated an economic crisis which Pretoria should realise will end only when the banks are satisfied that fundamental reform is under way.

The success of sanctions depends in part on what is expected. The measures that Commonwealth leaders meeting in Nassau last October drew up for consideration should their peace effort fail are not designed to bring about the economic collapse of South Africa. They are intended forcefully to signal their growing impatience with the slow pace of reform.

Whatever selective additional sanctions are advocated they will have far greater impact if they win endorsement beyond the Commonwealth. In the event of a major crisis which could lead to the suspension of Commonwealth initiative, Britain should seek agreement on a joint stand by the EEC, which was backing from the United States, Japan and South Africa's other western trading partners. Such action will be the proper conclusion to what should be seen as the first stage of the Commonwealth effort. But the Eminent Persons should remain in the wings. Pretoria may need their services sooner than Mr Botha realises.

Britain and the EEC presidency

THE ADDITIONAL power and influence conferred on a member of the European Community by its six-monthly tenure of the presidency of the Council of Ministers has usually been rather limited: in one (rather constructive) sense the specific opportunities for triumph or disaster have been scooped out in this respect by the whereby the programming of work is co-ordinated with the preceding and the succeeding presidencies. Nevertheless, the second half of this year, when the presidency passes from the Netherlands to the UK, will be a peculiarly important phase in the Community's history and will require corresponding skill from the British Government.

Much of the agenda has already been plotted by history. The long and lamentable legacy of the excesses of the Common Agricultural Policy remains on the table: the council has taken some fairly brave decisions on milk and cereals but pressure of budgetary constraints must be mobilised to ensure that the momentum of reform does not slacken.

At the same time, the Community needs to press ahead more rapidly towards the objective of a fully liberalised internal market by 1992. Some progress is being made; there may be opportunities for more progress, on the liberalisation of capital movements, for example, on the extension of the use of the ECU and on the liberalisation of non-life insurance when the European Court pronounces in the second half of the year.

These domestic issues of farm reform and market liberalisation are the natural staple of intra-EEC bargaining and their successful resolution is essential if Europe is to recover its economic dynamism. But it seems likely that they will be overshadowed in the second half of the year by more pressing foreign policy challenges, both in European-US

Political conflict
More serious still is the danger of political conflict with Washington over its handling of arms control and relations with the Soviet Union. In public Mrs Thatcher had implied support for President Reagan in his denunciation of Soviet violation of the Salt 2 nuclear weapons treaty; in reality, the British Government is as concerned as its European partners at the prospect that the fragile bases of arms control may be thrown away. While arms control is not strictly in the Community's competence, the co-ordination of foreign policy has been given a new security dimension under the Luxembourg agreement. Britain's role in a nuclear power, its presidency of the Council and Mrs Thatcher's special relationship with President Reagan will place extra responsibility on the UK to ensure that disagreement does not develop into a transatlantic crisis.

IT HAS been quite a week for Mr Victor Paige. On Tuesday he was the head of Britain's National Health Service. Yesterday he was unemployed. Today is his birthday—his sixty-first.

It has been quite a week, too, for Mr Norman Fowler, the Social Services Secretary. On Monday, Parliament returned as he planned to mobilise support for more cash for the health service in the coming public expenditure battle. On Tuesday, his strategy for reforming NHS management was dealt a severe blow when Mr Paige resigned in exasperation as the first chairman of the NHS Management Board half way through his three-year contract. Today, Mr Fowler will discuss at Cabinet how to deal with this, the latest in a long line of political embarrassments over the health service.

It raises new and important questions about how an organisation like the NHS can be effectively managed. The NHS has more than 1m employees, making it Europe's largest employer except for the Red Army. It spends £15bn a year, about 95 per cent of which is taxpayers' money for which Parliament is the guardian. Ministers are accountable to Parliament for that money.

This makes the role of chief executive of the NHS even more difficult than that of a nationalised industry chairman—most of whom complain at one time or another about political meddling in management matters.

Mr Paige's letter of resignation makes little effort to disguise this problem. Ministers and the chairman of the management board can approach the same issue with different perspectives, priorities, objectives and results. The conclusions are not always compatible. Also, there are always others in the action—or trying to be. Within my remit that makes for a chaotic working environment. I have brought this to your notice on several occasions. You are aware that it is not working out as I believe it should.

Clearly, Mr Paige's difficulties have had more to do with the relationships at the centre of the NHS—the management board and the Health department ministers, and civil servants—than with the introduction of the new management system set up in 1983.

But Mr Fowler remains ultimately in charge of the NHS. And widespread opposition from some interest groups, notably the nurses, to the management changes and the consequent public concern about the state of the NHS created a political problem which, combined with the structural difficulties at the centre, produced intolerable restrictions on Mr Paige's freedom to manage.

The management reorganisation of the NHS was effectively the second reorganisation of the service since the government took office in 1979. The health service has suffered the upheaval of reorganisation more

often even than Britain's much reorganised local government system.

By 1983, the Government was at the height of its crusade for value for money in the public sector and, advocating "better rather than more public spending." As part of this campaign, Mr (now Sir) Roy Griffiths, managing director of J. Sainsbury, was asked to chair an inquiry team to advise on the effective use and management of manpower and related resources in the NHS.

The Griffiths Report in 1983 recommended radical change, a key passage stating: "One of our most immediate observations from a business background is the lack of a clearly defined management function throughout the NHS. By general management we mean the responsibility drawn together in one person, at different levels of the organisation, for planning, implementation and control of performance."

This paragraph was the death knell of consensus team management which in many cases had increasingly come to be a power base for consultants protective of their individual operating theatre hours or budgets and who could never see the argument for budgetary discipline in their own speciality.

The Government accepted the Griffiths report analysis that a single general manager should be appointed with executive powers and full responsibility for budgetary discipline in each "unit" or hospital. The same principle should apply at the district level, which should have its own general manager, and again at the 13 regions in the top tier.

The central management would be the NHS management Board chaired, said Griffiths "by a strong chairman almost certainly from outside the NHS and the civil service to be the Secretary of State's right hand man." On top of that would be a NHS supervisory board, chaired by the Secretary of State. It is the relationship between these two boards that has soured.

The damage to the management reorganisation and public confidence in the handling of the NHS is likely to be considerable, as the Social Services Committee warned when considering the Griffiths Report in March 1984. "We give a general welcome to the proposals which are intended to lead to more effi-

cient, effective and co-ordinated central management. The potential is considerable, as is the scale of damage which a botched reorganisation at the centre would cause."

But the committee, like the Government, hoped that this tough approach to management, particularly in jobs with new disciplines, would help to contain and rationalise some of the tremendous cost pressures within the health service such as the soaring prices of medical high technology and the mounting cost of health services to the elderly.

The implementation of the Griffiths report required the appointment of more than 1,000 new general managers. Some public alarm about people staying in their old jobs with a new title and a £8,000 annual salary rise were countered by despair among NHS employees required to re-apply, not always successfully, for their jobs. "Since 1975 I have been made technically redundant seven times," said one hospital administrator in 1984.

Many former administrators were re-appointed as general managers and blanket criticism of this is unfair. Many, transfused from being the secretary at the bottom of the committee table to the chairman at the top with executive power and the last word, have responded well and have effectively tackled the delicate task of handling touchy consultants with maintaining budgetary discipline.

The success is at its most marked, with exceptions, in the districts where the transition has mainly been smooth; management costs as a proportion of turnover have been cut substantially and for the first time strategic plans, drawn up in obvious at the individual hospital level, and in London, where doctors find it easiest to inflame media passions about the state of the hospitals, the acceptance of the new management culture is at its patchiest.

It is at this level also that the greatest resistance welled up against the Griffiths ethos and Mr Paige's early determination to implement it. While doctors were cool to the changes the 480,000 nurses, the public's best-loved public sector group, launched a highly emotive anti-Griffiths campaign which peaked earlier this year.

This dissent by an important pressure group arose at the same time as public support grew for higher nurses' pay and public and political anxiety about the resourcing of the NHS reached new heights. The nurses secured a 6 per cent pay rise and Mr Fowler secured an extra £80m for NHS cash limits this year towards the cost.

But the political imperative to convince the public that the NHS is, as Mrs Thatcher promised in the last election campaign, "in our hands," coupled with the tight rein on public spending meant that Mr Fowler needs ever quicker results. He wanted, and his civil servants tried to get, faster value for money achievements so that existing cash was

freed to be put back into the service.

Mr Paige, however, increasingly resented such demands and interference. If anything, he mellowed and wanted to take a more cautious pace once administrators were appointed. Both civil servants and some NHS administrators noticed that the more he travelled within the NHS the more he seemed to be absorbed by its culture.

The hard-nosed business approach which seemed appropriate during his career at Boots, the Port of London Authority and the National Freight Corporation seemed less in evidence and his resignation letter refers to the dedicated and caring concern of the NHS staff.

Not surprisingly, his friendship with Mr Fowler, dating back to the days when the Minister as Transport Secretary helped him organise the employee buy-out of National Freight, became more strained as their competing philosophies clashed. Although Mr Fowler is genuinely sorry and upset that his friend has walked out, some clear lessons emerge from the abrupt end to Mr Paige's 18 months in charge of the NHS. One is that difficulties in finding someone to take such a job, which were acute in 1984, should not be solved by a last minute appeal to an old friend who might not be prepared for the political cut and thrust involved.

Another is that wide and radical reorganisation of such a huge undertaking probably requires increased financial resources in the short run to deal with education and training.

To attempt such a feat while reallocating scarce resources between the regions is inviting trouble. The management upheaval is going to be accompanied by, and get mixed up with, ward and hospital closures as part of the resource reallocation. Hence the rebuff over Griffiths has become mixed up in London (which the Government regards as over-provided with hospital and doctors) with the switch of funds away to poorer regions. The resulting bad publicity and bad NHS morale have proved a formidable problem for the Government.

Perhaps most important, rethink about the structure of the central management of the NHS is needed in the light of Mr Paige's experience.

As Parliament demands almost day-to-day accountability for all the taxpayers' cash going to the NHS, it is inevitable that the Social Services Secretary will be the key decision maker. It may make sense, therefore, to merge the competing Management and Supervisory Boards with the politician as chairman and an appointee as his chief executive.

The alternative is to continue with the present structure and appoint a successor to Mr Paige who will be faced with the equivalent of running a company which is permanently at its annual general meeting.

BRITAIN'S NATIONAL HEALTH SERVICE

A hole at the heart

By Robin Pauley



Norman Fowler (left): an embarrassing position. Victor Paige: a hasty exit.

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By 1983, the Government was at the height of its crusade for value for money in the public sector and, advocating "better rather than more public spending." As part of this campaign, Mr (now Sir) Roy Griffiths, managing director of J. Sainsbury, was asked to chair an inquiry team to advise on the effective use and management of manpower and related resources in the NHS.

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A HISTORY OF MANAGEMENT PROBLEMS

THE PROBLEMS of managing the National Health Service have exercised a fair sprinkling of American, Japanese and other foreign settlers in the City — will be shown videos of ENO productions, models of its sets, and stage costumes. Two of the ENO's leading singers will round off the show.

On a current budget of £12m, the ENO puts on some 200 performances in an annual 44-week season at the Coliseum. But only 5 per cent of its funds come from private sponsors—two-thirds come from national and local government subsidies, and the rest from the box office.

In the last five years, its grant income has grown by 37 per cent, but its costs have risen by 47 per cent. Hence the search for new funds.

Its performance in the City, the ENO hopes, will persuade some institutions that an investment would make sound commercial sense as well as being fun.

Neelson has been with Kleinwort since qualifying as an accountant 15 years ago, spent a couple of years in New York, and has been involved in its corporate finance activities almost throughout.

He has been associated, in particular, with advising Hilldown Holdings during its growth over the past decade, and with the privatisation of British shipyards. "A man of experience," said Nott, "who should bring in some new ideas."

Neelson agrees—hardly surprisingly—with Nott's Big Bang game plan. "With a good team, free of any possible conflict of interests, I think Lazard's do have a tremendous opportunity," he said.

For a song
Former Barings director, David Elliott, will be back in the City today for an unusual presentation to some of the Square Mile's banks and finance houses by his new company—the English National Opera.

Elliott, the ENO's finance director, and the company's managing director, Peter Jones, are leading some of their 600-strong company in a lunchtime

superintendent was replaced by a tripartite structure of doctor, matron and administrator, the basis of consensus management which survived until 1984.

These teams reported to the district health authority which reported to the regional health authority, both of which comprised lay, medical and local authority representatives. This, in turn, reported to the Social Services secretary.

In 1974 Sir Keith Joseph introduced a new tier of administration, area health authorities, between regions and districts. These areas were disbanded in 1984.

Under the Griffiths reorganisation of 1984 the regions, districts and individual hospitals each got a general manager with executive powers and budgetary responsibility, and consensus management teams were disbanded. The NHS is now centrally managed by a full-time management board which reports to a NHS supervisory board, chaired by the Social Services Secretary.

Butterfield says the intention is that the site should be concealed as much as possible. But it should also show "the best practice of industrial design."

In any case, why bother to conceal the pipes and boilers behind a curtain of concrete and steel? The building is in the City of London, Lloyd's, the insurance market, has gone to great trouble and expense to put the plumbing on the outside of its new building.

Fine art
Fainess extraction of money has always been something of a Swiss speciality. Along with Zurich "gnomes" and St Moritz hotels, this skill now seems to have been mastered by the cantonal police of rural Basle.

The force has just signed an agreement with Fininvest Club and other credit card firms to enable cashless payment of on-the-spot fines. Patrol cars will carry printers, and billing forms to accept the plastic of their clients' choice.

Deep study
Extract from minutes of an interdepartmental committee on the financing and administration of flood defences — "Mr... said that some water authorities had established sinking funds, which would need to be looked into to see if they were still available for flood defence."

Men and Matters

arboretum than an industrial site.

Carliss have submitted to the planners' desire for tank and pipework to be painted in tasteful browns and greens. But no effort has been made to disguise the £30m investment with such devices as Gothic columns or rustic facades.

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Quality in an age of change.

Observer

IF THE editor allowed question marks against titles, the title of this article would have one.

A fortnight ago I wrote about the pause in UK growth in the first few months of 1986, and said it was part of a pause in the industrial world as a whole.

It is now time to turn to the international dimension. The facts of the pause are clearly established. There are powerful arguments that growth will resume and even accelerate. But it is more important to draw decision trees for policy responses to different eventualities than it is to argue about the crystal ball.

The facts of the pause are displayed on the chart, which shows the level (not the rate of change) of real GNP in the seven main OECD countries.

As far as I know, this pause was not forecast by any school of economic thought. The consensus view was that the drastic drop in oil prices would give a shot in the arm to the main industrial countries.

Indeed, some technical monetarists even feared that way-above target rates of growth of some of the monetary aggregates in the US, UK and other countries would lead to an inflationary boom. In fact, average inflation rates have never been lower, and on some measures, "zero inflation" has already been achieved in the industrial world as a whole, although not in the UK.

The reason most often advanced for the pause is that the adverse effects of the oil price shock have come through before the more favourable effects.

Not only are Opec countries in trouble. So, too, are oil-producing regions within the industrial world, the Middle East and the North Sea. The cut in oil exploration is having ripple effects throughout the capital goods industries.

By contrast, consumers and businesses, whose income and wealth have been boosted by lower oil prices can take their time to adjust to their increased purchasing power.

The London Business School June forecast release has an ingenious additional item to add to the litany of post hoc explanations. This is that buyers of products are now being within the waiting for the reduction in oil prices to work its way through their economies to the items they want to purchase.

According to the LBS, wholesale prices in the industrial countries are now falling and will not reach bottom until the third quarter of this year.

The LBS can cite some evidence for its thesis from the behaviour of OECD output after the second oil price shock associated with the fall of the Shah, in early 1979. On that occasion expansion in the industrial world continued throughout most of 1979, as

Economic Viewpoint

A pause before a spurt

By Samuel Brittan

buyers built up stocks in anticipation of a rise in prices. The downturn did not come until 1980.

The case for expecting a resumption in growth later this year and in 1987 is the same as the original case for expecting that the fall in oil prices would boost world activity. It is a matter of benefits postponed — and perhaps as a result coming in greater profusion when they arrive.

If the drop in the value of the dollar is taken into account, the real fall in the oil price since 1985 amounts to over 60 per cent, and more than wipes out the second oil shock of 1979.

The fall in oil prices is equivalent to a reduction in indirect taxes worth 3 per cent of the GNP of the industrial countries.

The offset is that there will be a similar reduction in income tax in the Opec countries. The Opec offset will, however, be much less than complete. Some Opec countries cannot afford to reduce imports any further. Others have a sufficient cushion of financial assets to avoid matching the whole of their reduction in oil revenues with import cuts.

But there is more to the case for an upturn than the hope that the real fall in the oil price will be fully offset by lower spending by the oil-producing countries. The slowing in world inflation — and associated, of price rises in some measures — has boosted the real value of financial assets, including liquid holdings, bonds and equities.

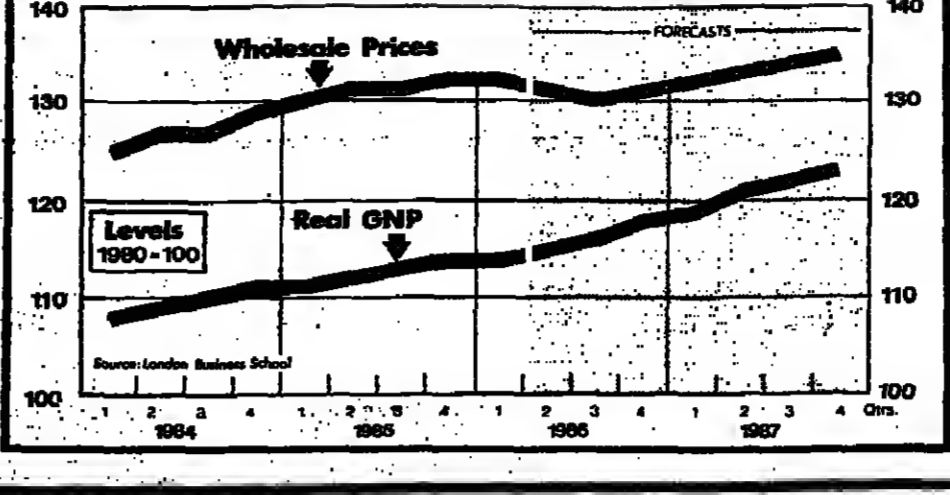
It has done so both directly and by facilitating lower interest rates throughout the world. The fall in the dollar — although it may ultimately curb US imports, despite Mr James Baker's grumblings, and thus withdraw some support for world activity — has added

another support by making it easier for central banks to reduce their interest rates by amounts greater than the oil price fall on its own would have permitted.

It is for such reasons that the LBS is expecting a rapid acceleration in growth in the industrial world. It expects growth of GNP in the main OECD countries to reach a peak of over 4 1/2 per cent in 1987 — far more than the OECD and other consensus forecasters — with industrial production rising at rates so rapid that it will attain credibility if I reproduce them. The April German industrial production index, and some US economic indicators, are among the first signs that the upturn may now be resuming in earnest. Even the CBI interprets its May survey in a moderately bullish way.

Judged by past standards, there would be nothing abnormal in the world economy recovering from its present pause and expanding at above trend rates in 1987 and beyond. Not quite 14 quarters have elapsed since the trough of the last recession, dated by the OECD as the fourth quarter of 1982. This is much longer

OECD PERFORMANCE



Source: London Business School

than the five to seven quarter-long expansionary phases of the 1960s and early 1970s, but still much shorter than the last 20 quarter-long upswing which carried on from the first quarter of 1975 to the beginning of 1980.

The average annual rate of growth in the latest expansion carried on from the first quarter of 1975 to the beginning of 1980, was 3 1/2 per cent. Like its 1975-80 predecessor, been much lower than in earlier upswings. This is one reason why it may be prolonged.

Although I am sceptical of optimistic forecasts, I am even more sceptical of chronically sullen British industrialists, who do not appreciate their good fortune in enjoying record increases in profits sustained over several years, with a return to profitability levels previously enjoyed in the Golden Age before 1974. They seem to be in a mood to do as those voters who have forgotten what it is like to see the cars from Congress House roll up at No. 10.

Anthony Bird draws attention in his June World Economic Prospects to the discrepancy between European indicators of industrial confidence which are weak and of

financial and stock market confidence, which are strong despite recent minor setbacks in the latter. Construction and consumer confidence come in between.

As he emphasises, industry's caution is likely to be more potent in the short term, because pessimistic businessmen make decisions about inventory and investment. But the financial markets' optimism will prevail in the longer term, when even European businessmen wake up to the shot in the arm provided to OECD real income and investment. But the financial markets' optimism will prevail in the longer term, when even European businessmen wake up to the shot in the arm provided to OECD real income and investment.

But there is another side to the picture. The LBS argues that the resumed world upturn in 1986-87 will eventually lead to some modest turnaround in price levels in an inflationary direction.

Too many analysts, especially those of a Wall Street or financial market orientation, have been crying "world deflation" on the basis of falling wholesale prices, such as those shown in the chart.

These falls reflect reductions in oil and commodity prices originating from outside the OECD. These are of a one-for-all nature. If they are merely not repeated, wholesale prices will start once more to rise again, at least slightly. If commodity prices begin to recover, as the LBS expects, the effect will be all the greater.

If we want a non-hysterical look at both the relative dangers of inflation and deflation, and the stance of policy, it is helpful to examine the movement of Nominal GDP and its breakdown between real output growth and inflation — the latter as shown by the GDP deflator. The GDP deflator has the advantage over wholesale and consumer price indices of excluding

import prices and therefore eliminating many temporary fluctuations, as well as showing the underlying rate of inflation generated by the industrial countries themselves.

OECD forecasts for the whole area show a gradual downward trend in Nominal GDP growth, but a big improvement in its composition. A pronounced fall is expected in internally generated inflation to just over 2 per cent in 1987 — which is still a far cry from deflation. And the OECD expects it to be accompanied by a gradual acceleration of output, although not on the scale expected by the LBS.

The UK is shown on the OECD analysis with a slightly higher growth of nominal demand than the average, a slower growth of output, but a higher internally generated inflation rate. This does not suggest much room for a policy stimulus.

Japan and Germany emerge from this analysis with expected nominal demand growth of around 4 to 5 per cent in 1986, and not negative inflation, and growth rates of just over 3 per cent — which may be too low to please the US Administration or world economic co-ordinators, but may be high enough for domestic electorates to these two countries.

The one case, where there may be a genuine danger of "deflation" if the OECD is anything like right is Japan in 1987, where nominal demand growth is expected to be just over 3 per cent, and the GDP deflator is expected to be virtually zero.

Any lower numbers than this central forecast really will be "too deflationary." The danger is that the demand expansionists have cried "wolf" so often that the Japanese — and any others — may turn a deaf ear when there really is a wolf at the door.

DEMAND, OUTPUT AND PRICES

OECD "Big Seven" +

Table with 3 columns: Year, Nominal GDP, Price deflator, Real GDP. Rows for 1983, 1984, 1985, 1986*, 1987*.

* Forecast. + US, Japan, Germany, UK, France, Italy, Canada. Source: OECD Economic Outlook, May 1986

United Kingdom shipbuilding

From the Board Member for Ship and Engine Building, British Shipbuilders

Sir—As with every long established industry in the United Kingdom, shipbuilding has had difficulties in adjusting to full international competition and dealing with a recession which is deeper than that experienced in the 1930s. The concluding paragraphs of the article by Correll Barnett (May 28) were, however, grossly misleading and appeared to be an attempt to project previous difficulties as a reason for the current crisis. No mention is made of the fact that it is an international problem, where world shipbuilding capacity is some 40 per cent greater than the current demand. The prices of particular ship types are often less now than they were in 1973, which means that all shipbuilders are losing money and only survive with some form of subsidy.

The response of British Shipbuilders has been to introduce a major restructuring programme in which capacity following the implementation of recently announced changes, will have been reduced by 87 per cent from the numbers employed at nationalisation in 1978. This is a major shift in the other European nations who in general have cut back by 50 per cent.

In parallel, there has been a major programme of performance improvement, including product development of the type hinted at in the article, aimed at capitalising on our undoubted strengths in certain areas of technology. This has moved us away from always being in direct head-on competition with the world price leaders—Japan and Korea. It also represents a major shift in our marketing strategy, allied to a determination to serve and support our customers. The programme has been concerned with every aspect of our operation, including a comprehensive effort to improve manufacturing technology, using more semi-automatic and automatic equipment and a major investment in computers, placing us in the position of being world leaders in the application of computer graphics. Indeed, the capital investment in equipment over the last five years has exceeded £50m and we now have well organised yards manned by trained personnel, using the most modern technology.

Cost reduction has also been achieved through reorganisation and a cutting of overheads, together with intensive discussions with suppliers who, on average, represent some 60 per cent of the total cost of our products. This has been done with a view to the future, so what is forecast to be an expanding industry in the early 1990s.

Letters to the Editor

The changes in working practice are also understated. There have been major improvements in the flexibility of all employees and it is grossly unfair to belittle what has been achieved. Indeed, it has involved changes at all levels, starting with management supervision. The implementation of a massive range of changes has been accompanied by a communications programme, designed to place everyone informed of what has to be done and what each individual contribution must be. The net result of these changes is that we are now more competitive with certainly the best in Europe and Scandinavia. This has been accompanied by corresponding improvements in our delivery record, which would now bear comparison with any competitor.

We at British Shipbuilders would be pleased to show Correll Barnett some of these changes in practice and would be more than confident that the article would have been quite different if it had been based on some live research.

(Dr) Peter A. Milne, 136 Sandilands Road, Newcastle upon Tyne.

EEC competition policy

From the Industrial and Legal Information Officer, Commission of the European Communities

Sir—It was interesting to read the recommendation of Michael Prowse (Lombard, May 27) that the competition policy of the EEC should replace the national version. In fact the two systems are broadly compatible and in practice can work fairly happily in conjunction. As far as the Commission is concerned, shortage of staff is already a problem in this area and we could not take on the work of the Office of Fair Trading as well as dealing with restrictive practices at European level.

Mr Prowse rightly points out that EEC competition law can only be involved if trade between member states is affected. In fact, the EEC Court of Justice has established that a potential effect on such trade will usually be enough to bring a restrictive agreement within EEC jurisdiction.

Merger policy is not directly affected by EEC law, as Mr Prowse says. But the Court of Justice ruled as long ago as 1978 in the Continental Can case that a merger could amount to abuse

Japanese high definition TV

From Dr E. Evans

Sir—I was delighted to see Lombard (June 2) enthralled with the quality of high definition TV in Japan.

The proposed 1125 line system is of course clearly better than the current Japanese SDTV TV standard which is the same as that used in North America. Anyone who has seen both North American and European TV would agree that there is a more pressing need for the Americans to improve their TV. Even for Europe there is a useful though not earth shattering improvement to be made by moving to TV standards in excess of 1,000 lines.

There are a number of "magic numbers" that come to mind, some that fall naturally from TV technology, some from personal computers and, perhaps most important, some from the newly popular facsimile machines.

If TV, personal computing and facsimile are to come together on to one screen it is important that the best magic number is chosen. The Japanese EDTV system gives us just a taste of what might be achieved.

(Dr) E. T. Evans, 19 Cassinbury Park Ave, Watford

Responsibilities of trustees

From Mr P. Corroll

Sir—Michael McShee (May 30) treats rather lightly the responsibilities of the trustees of pension funds to safeguard the interests of the members. He sees no "logic" in "the proposition that employers should provide benefits for members that were never part of the original benefit promise." In this country an employer that failed to use the surplus in his pension fund to increase pensions in payment to go at least some way to meet increases in the cost of living would be breaking faith with his employees even though such increases were never promised in the trust deed of the scheme. Other discretionary increases in benefits in respect of ill-health retirement and early retirement of certain employees can also be important and trustees

have a responsibility to consider such benefits before agreeing to a claw back of surplus.

It may be that Michael McShee has been imbibing too freely American attitudes to employee benefits. In the US the clawing back of pension funds has been such a widespread practice that it has been labelled the "problem of asset reversion." American legislation that benefits be "determinable" has no doubt provided plenty of opportunities for unscrupulous employers to succumb to temptations of this kind which arise when the stock market is at a peak.

Rather than follow the American lead by introducing legislation that favours such malpractices would it not be better for our Government to ban all clawing back of pension funds so that employers and their pensioners would take more care not to overfund the pension funds in their care by fixing a contribution rate at a high level and waiting several years before increasing it? A review of funding and benefits? Patrick Corroll, 35 Conamory Road, NI

Making a judgment

From the Secretary General, Committee of Vice-Chancellors and Principals of the Universities of the UK

You have in recent days published two league tables of universities. One (May 21) purported to be the "University Grant Committee's ranking of university performance in teaching and research."

The other (May 24) headed "Degrees of excellence" was an update of your education correspondent's "Degrees of excellence" over now familiar league table of employability of each university's graduates.

Both articles stated that the UGC had made a judgment as to the quality of teaching as well as research. This is not the case. As the chairman of the UGC told vice-chancellors and principals last week, "In making the distribution we have made a judgment about the quality of research but we have made no quality judgment on teaching. The teaching distribution was done on the basis of numbers and subject distribution alone."

The UGC has also made it clear that this teaching distribution was the most important determinant of this year's allocation. This means that your first table is not a ranking of quality simply of cash grants. B. H. Taylor, 29, Tulsebrook Square, WCI

Michael Dixon writes: The UGC stated on May 20 that the method used for distributing the grant was "based partly on teaching and research criteria."

I am informed that although the UGC itself did not make a judgment of teaching quality, such judgments were made by its subject committees in allocating students numbers to the different institutions.

Lombard

Keep it simple for investors

By Richard Lambert

THE BRITISH Government's proposals for personal equity plans (PEP) designed to attract small shareholders to the stock market have not been received with much enthusiasm. Such plans, it is argued, will be costly to administer and of limited appeal. But the government could surprise the sceptics, provided it draws the right conclusions from the spectacular success of a similar scheme which has been operating for the past few years in Sweden.

Launched by the previous administration, this has now been pulled in some 2m investors, or about one-third of the adult population. Total investment this year could exceed SKR 15bn — double the 1984 level.

The scheme has much in common with the UK's proposed PEP. Investors put aside a set amount a month up to a maximum figure. This investment cannot itself be set off against income tax, but dividend income and capital gains are tax free. The one big difference is that Swedish investors have a choice: their money can go into a deposit type scheme as well as into an equity fund.

There are three main explanations for the Swedish success. Tax-free capital gains and dividends are enormously attractive in a country where the tax rate for full-time wage earners averages around 50 per cent, and where short-term capital gains are taxed at a top marginal rate of up to 80 per cent.

The British Government is committed to reducing its already much lower income tax rates, and with it the incentives to subscribe to a PEP. But the other main ingredients of the Swedish model are more relevant to the UK policymakers. These are that the scheme offers savers great liquidity and is extremely uncomplicated.

Sweden can withdraw part or all of their funds at any time in return for a fee of just 1 per cent. The value which they attach to this freedom is measurable. The original version of the scheme offered much bigger tax breaks — part of the money invested could be offset against income tax payments —

but investors were locked in for five years. The Social Democrats took away the income tax concession and added much greater liquidity — since when the number of investors has doubled.

The Swedish authorities also attach great importance to the simplicity of their scheme. At one stage, thought was given to the idea of allowing investors who had built up a big enough sum (SKR 20,000) the freedom to buy individual stocks rather than to invest in an equity fund. But the notion was shelved on the grounds that it would make life too complicated.

This is where the British may be going wrong. The underlying principle of the PEP proposals is that a clear link must be preserved between investors and their shares, so that they can attend and vote at company meetings, receive information direct from the company, and benefit from shareholders' privileges in general. The political attractions of such an approach are obvious, but the cost may be too great.

Apart from higher administration expenses, the goal of direct investment can only be achieved by imposing all kinds of complicated rules — about how long cash may be held in a PEP when shares are switched, about how much cash can be accumulated before making an investment, and so on. As currently envisaged, a PEP built up in one year must be held throughout the following 12 months in order to qualify for tax relief, making it less liquid as well as a lot more complicated than the Swedish model.

The likelihood is that, by placing too much emphasis on the objective of direct ownership, the British Government will produce a scheme that will turn out to be a form of tax relief for people who would have been buying shares anyway. Better, perhaps, to compromise a little on the political principle, and to come up with a plan which will attract new savers to equity-type investments.

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Graphic showing a list of achievements: Restructuring Completed, Wide Network, Full Range of Services, Subsidiaries, Merchant Bank, Mutual Funds, Stock Exchange Quotation, 70,000 shareholders, Profits, Dividends. Includes a pen and a calendar for AUG 1982 - JAN 1986.

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Rupert Cornwell explains doubts surrounding the start-up of a fast-breeder reactor

Germans shun a nuclear white elephant

AT KALKAR, it must be said at the outset, all is quiet. There are no encampments of Greens and environmentalists around West Germany's first commercial fast-breeder reactor, luring square, grey and massive over the flat countryside of the lower Rhine, close to the border with the Netherlands. Police contingents are notable only by their absence.

True, the number of visitors to the information centre within the reactor complex has leapt since the Chernobyl disaster to 1,000 a day, and a Breughel-like mural on a nearby barn wall depicts the local populace cast into a radiation-filled hell, beneath the mocking gaze of a harlequin bearing the letters KWU, for Kraftwerk Union, the prime contractor for the project.

But Kalkar, named after a small idyllic town nearby founded 756 years ago by the counts of Kleve, has experienced none of the week-ends of lurid violence which have disgraced the planned nuclear reprocessing plant at Wackersdorf in Bavaria.

Yet Kalkar, or rather the plant which has given it celebrity for the first time since the decline of the wool trade epitomises the quandary of the nuclear planners in Bonn. In short, it might yet be the most expensive and diplomatically embarrassing casualty of the anti-nuclear crusade in Germany.

Wackersdorf may have drawn the headlines, but it is no more than a hole in the ground in a forest clearing. Kalkar on the other hand has been under construction since 1973. Today, at a cost of DM 6.5bn (\$2.6bn) - provided not only by West Germany, but also by Belgium and the Netherlands, which each have 15 per cent of the project - it is virtually ready.

An obsessive nuclear Angst, which predates by more than a decade the disaster in the Soviet Union, ensures that the West German authorities, at both federal and state level, are second to none in their insistence on safety. Kalkar has already received 17 separate clearances and two more are still to be granted, for the installation of

BRITAIN TO ALLOW FULL INSPECTION OF SELLAFIELD

The European Commission yesterday won a long-running battle with the British Government to gain full access to civil nuclear reprocessing facilities at the controversial Sellafield plant, writes Tim Dickson in Brussels.

The agreement, which enables inspectors of Euratom, the EEC's atomic energy authority, to check for the first time areas where both civil and military material is handled, could have important implications for the application of EEC safeguards to the French nuclear industry. These safeguards, which apply automatically in member states under the Treaty of Rome, are strictly limited to civil nuclear programmes and procedures including the keeping of records of the flow of and stocks of nuclear material. The Commission stressed yesterday that Euratom inspectors have always had access to the purely civil areas of the Sellafield site, but since joining the EEC the British Government has refused them entry to the so-called "mixed facilities" (including the Magnox reprocessing plant) where military material is also handled. Euratom has nevertheless insisted during years of negotiations that it has a right and duty to verify the civil op-

erations within the mixed facilities and that this can be done without any threat to national security. The timing of yesterday's announcement - coming in the wake of the Chernobyl disaster in the Soviet Union - was described by a British official yesterday as "purely accidental." Technical agreement, he added, had been reached between the two sides two months ago.

A Government official explained that after years of deadlock the British Government first changed its position in 1984. Public disquiet resulting from the well publicised problems at Sellafield, he thought, may have speeded up the final agreement.

Mauroice Samuelson, writes: Sellafield reprocesses fuel from UK Magnox power stations as well as similar plants in Italy and Japan. The fuel, which comes in the form of uranium rods in magnesium oxide cases, is reprocessed into uranium, plutonium and other products. The plutonium is either returned to the electricity industry for further fuel applications or directed to military purposes. The reprocessing has the dual ability to produce "weapons grade" plutonium or plutonium more suitable for electricity production.

Passions have been inflamed further by the belated disclosure of a tiny leak of radioactivity from a high-temperature reactor at Hamm, near Dortmund, on May 4, a few days after Chernobyl. Mr Joachimsen has accused VEW, the utility which operates the reactor, of a cover-up. VEW originally threatened to sue him for defamation. The Greens demanded his resignation for negligence, and by Monday night 40 local farmers had blocked access roads to the site. By Wednesday, tempers had cooled, but the reactor was still closed.

The rumour to an outsider might look exaggerated. But for Kalkar it is more bad news. Cheap oil and a surfeit of electric power has made the 300 MW that the fast-breeder would offer redundant - for the time being at least. Primarily, Kalkar is a demonstration reactor. West Germany's entrant in a technology that offers a 60-fold increase in the energy obtainable from a given quantity of uranium.

The earliest start-up date for Kalkar is after the January election, when nuclear passions here may have cooled, always assuming that the CDU/CSU/FDP alliance retains power in Bonn. But even that may be wishful thinking.

"Chernobyl was the last thing we needed," says Mr August-Wilhelm Eitz, head of Schnell-Breuer-Energieforschungs (SBE), the three-nation consortium operating the fast breeder. "The SPD may now get what it wants: the painless death of Kalkar." Theoretically, the Government in Bonn can ultimately override a state authority - but in this climate, it surely would not dare.

In the meantime, the advocates of nuclear power are sitting tight, in the hope of friendlier times. Mr Guenter Brueck of Deutsches Atom Forum, a pro-nuclear umbrella association, stresses that the original arguments for Kalkar remain. "But an individual state in practice can use delaying tactics for ever," he warns. "If you ask me now if Kalkar will ever go into service, I just can't answer you."

THE LEX COLUMN

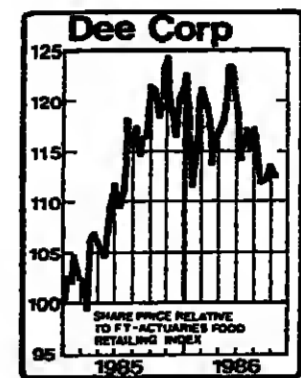
More dough for Mr Weston

The difficulty of keeping a secret in the City of London now being what it is, not a soul was surprised at yesterday morning's placing by the Dee Corporation. Indeed, the details had been sufficiently well-known on the previous afternoon for Dee's shares to have fallen by about 8 per cent during the meeting at which the terms of the issue were supposed to have been fixed. The inevitable London Stock Exchange investigation is unlikely to expose profiteering on the grand scale, but if it makes at least a few people feel very uncomfortable indeed it will have served its turn.

The acquisition of Fine Fare is perhaps the last great purchase of market share that Dee is likely to make in UK food retailing. There are not too many 5 per cent shares floating around, and few of them would now fill gaps in Dee's geographical coverage without at the same time creating pockets of unacceptable concentration. With 11 per cent of the market, Dee is now rubbing shoulders with Tesco, and will lay claim to a greater retail cash flow than Sainsbury.

Dee should also get much more out of Fine Fare than AB Foods would have been able to. As a dominant UK food manufacturer, ABF was unable to trade as aggressively in its supermarket chains as it might have liked. And the option of ploughing the group's accumulated net cash into Fine Fare would have amounted to a declaration of war on ABF's main customers - the other food chains. Moreover, with standard retail accounting policies allowing the capitalisation of interest and the inclusion of profits on store disposals in pre-tax profit, Dee's revenue account should in any case extract more profit from Fine Fare than the ultra-conservative ABF.

Where ABF will take its winnings is one of the great questions. Including 15 per cent of Dee's equity, net liquid resources now amount to almost £900m, which is producing returns on the street that must increasingly fall short of what ABF might be earning in milling, baking or even the Bishop's Stortford Golf Club (now sold to Dee). To be loaded with cash does nothing at all for the return on shareholders' equity, as the controlling shareholders of ABF are well aware. If ABF were to gear up, it could create some pretty formidable waves in the world food scene, or perhaps elsewhere.



More immediately, Dee's shareholders will be debating the merits of the vendor rights issue, rapidly becoming a company trade mark. The more rapacious underwriters of the largest London vendor placing so far (about £350m in fully-paid form) wanted to minimise the amount that could be clawed back by existing shareholders, on the grounds that any upside in the Dee share price should go to the risk-bearers. More generously, victory for the institutions, which wanted a 75 per cent clawback from the placing, has protected the interests of current shareholders. With 25 per cent of Dee's equity still to be registered after the previous placing, a rights issue would not have helped.

Guthrie

The return of Guthrie to the stock market will have none of the panache of its departure after a Malaysian dawn raid in 1981. Companies with a host of unrelated and far-flung manufacturing assets and predominantly North American earnings are scarcely the flavour of this month's equity market.

The management instilled by the Malaysians inherited a middle of defensive activities, from making firemen's hoses to fitting gold taps to executive aircraft. In a period where the Malaysians put no capital in, management succeeded in degearing the balance-sheet despite more or less compulsory investment in underperforming assets 50 per cent ahead of depreciation. Last year, Guthrie generated a cash surplus at a level where any self-respecting Malaysian unit would want to take some capital out and attract a dividend stream.

Even without external capital Guthrie has developed its North

American automotive supply business with Ford and GM to the extent that it can generate for new investors half-way reliable earnings and the £16m the company raises will presumably go, not to reinvest in the UK earnings but to buy some UK earnings alongside a successful and growing carpet underlayment business. But Guthrie is still saddled with an indecent heating operation of dubious viability, an aviation service that is fully adjusting to the post-gold era and some Australian currencies.

A historic, actual tax price/earnings multiple of nine is not adding much from the dog business, as since management is canny in its matters, there seems no reason the multiple should not go down to 1986 and 1987 at the offer price. The danger is that the Malaysian might operate a tap in their residual at 64 per cent holding - or stage a dawn placing through Rowe & P.

Reed International

It is hard to quibble with Reed International's success so far in using itself out, but then it had a long scope. Although yesterday's news were confused by every sort of exceptional, the 23 per cent pre-profit rise to £137.4m for the year March up 86p on the shares; 930p. That profit gain was despite mainly unfavourable trading conditions. Instead, it came from work done to reduce the cost base and improve efficiency with help from lower energy prices. Reed cuts extend to the balance sheet well and the fall in net debt is beginning to come through to its interest charge.

Having proved itself as a hard-earned Reed must now show that it can acquire and grow, too. It still believes in publishing, which means nearly half of trading profits, as the main growth generator. Reed Publishing, the trade journal and exhibition business, seems capable of expanding one way or another. B consumer publishing is still a niche, and Reed's track record with Hamlyn is not encouraging. For their cost savings, lower interest payments and modest growth will lift profits this year above £150m. Even on a higher tax charge the prospective p/e is under 11 which still is not a publisher's rating.

the fuel elements and for an experimental start-up.

The central Government says the plant will see active service. So at least it reassured a somewhat anxious Mr Wilfried Martens, the Belgian Prime Minister, whose country has already spent DM 510m on Kalkar during a recent visit to Bonn. But Brussels and The Hague are already wondering whether they will be able to claim compensation if the whole thing comes to naught. "Kalkar could be one of the biggest white elephants in history," says a Belgian official.

The Chernobyl debate still reverberates through Germany, and all political calculations before the national elections of next January are being rethought. The Christian Democrat-led Government, which at the outset clumsily tried to face down the nuclear storm, is now changing its tune, fearful that un- equivocally to champion nuclear power could turn a threatened defeat in the key state election in Lower Saxony on June 15 into a cer-

tainty. The appointment of the country's first environment minister is a token of its concern.

The Government's Christian Democrat (CDU) allies have shifted their stance uncomfortably on to the fence. The opposition Social Democrats (SPD), propelled as much by anxiety at losing votes to the resurgent, anti-nuclear Greens to its left as by an inherent hostility to nuclear power, now demands abandonment of it in favour of other energy sources.

The Greens want every one of the 20 operating reactors, which provide 31 per cent of West Germany's electricity, switched off at once. Even the influential union movement, long in favour of nuclear energy, is now demanding its replacement in the longer term. Only the CSU in Bavaria, whipped on by its master, Mr Franz Josef Strauss, remains wholeheartedly in favour of nuclear power stations in general, and Wackersdorf in particular.

The cacophony at national level is nothing compared with that among the individual states, to

which the West German constitution entrusts a huge say in local nuclear policy. Brokdorf, station due to go on stream this month, has now been held up on order of the Christian Democrat government in Schleswig-Holstein, for fear of political repercussions in neighbouring Lower Saxony.

Ominous question marks, too, must hang over three other stations, due to be completed in 1988 and 1989 in Lower Saxony, Baden-Wuerttemberg and Bavaria, although all three states are today ruled by parties in the present Government.

In those states run by the Social Democrats, the prospects for any extension of nuclear energy are remote still - and nowhere more so than in North Rhine-Westphalia, in whose state Kalkar lies. Mr Reinmut Joachimsen, the state's economic minister, backed by Mr Johannes Rau, its Prime Minister and the SPD candidate for Chancellor next January, have long been waging battle against Kalkar.

When the company is expected to return to profit this year.

While a solution over the future of Valeo has finally been reached, the efforts of Matra, the French state-controlled defence and electronics group, to merge its car components with those of Fiat are still blocked.

The two companies propose creating a joint subsidiary grouping their car components interests. This would be 65 per cent controlled by the Italian car group.

However, the French Government and the French car companies are against giving Fiat majority control of the venture.

De Benedetti set to win control of Valeo

BY PAUL BETTS IN PARIS

MR CARLO DE BENEDETTI, the Italian industrialist, seems set to win management control of Valeo, the leading French car components group. But the French Government will try to limit his power as a shareholder by limiting his stake in the motor components group to 20 per cent.

French industry sources said yesterday that an agreement between Mr De Benedetti, the chairman of Olivetti, and the Government over the future of Valeo was expected to be announced soon. French car industry officials also confirmed that both Peugeot and Renault were not satisfied with the compromise

reached with Mr De Benedetti.

The agreement will give Mr De Benedetti responsibility for the industrial strategy of the car components group. After buying nearly 30 per cent of the shares, he had been seeking to acquire a further 16 per cent stake in the company but this was temporarily halted by the French Conservative Government. The Government declared Valeo "a defence industry" to block Mr De Benedetti's additional share purchase.

Mr De Benedetti paid about FF 500m (\$46.3m) for his initial stake in nearly 20 per cent which makes him Valeo's single biggest shareholder. Under the agreement to be an-

nounced shortly he will be flanked by a pool of French financial institutions with a 15 per cent stake in Valeo and the CGIP French industrial group, which will take a 10 per cent stake in the car components group.

The agreement is clearly favourable to Mr De Benedetti, who will ultimately get much of what he wanted without having to put up additional cash. At the same time, the French car companies claim they are satisfied that the agreement will preserve Valeo's independence.

Valeo's management had been trying to resist Mr De Benedetti's takeover, which comes at a time

Pacific cable may cut cost of calls

BY JASON CRISP IN LONDON

A JOINT VENTURE between Britain's Cable and Wireless and Pacific Telecom of the US plans to build a 5000m fibre optic submarine cable across the Pacific Ocean by the end of 1989.

The cable would run from Washington State and Alaska to Japan and would dramatically increase competition for the highly profitable international telecommunications traffic. In another joint venture Cable and Wireless is already planning to build two transatlantic fibre optic cables.

Competition from cables using optical fibres which have large capacity compared with existing cables and satellites is likely to mean a sharp fall in the price of international calls. The national telephone administrations are also building two transatlantic fibre optic cables and one across the Pacific.

Cable and Wireless plans to link the Pacific and Atlantic cables with fibre optics across the US which would give a direct and high-quality link between Europe, The US and the Far East.

It will probably lease the capacity from US carriers when a coast-to-coast route is established. A fibre optic cable is also likely to be built between Japan and Hong Kong, where Cable and Wireless enjoys a monopoly.

Until the Federal Communications Commission (FCC) gave permission for a private transatlantic cable, all international calls were the effective monopoly of the national telephone administrations.

Yesterday the new joint venture-Pacific Telecom Cable - filed an application with the FCC for a licence to build a across the Pacific, citing the precedent of the transatlantic cable.

The consortium of Japanese companies which will pay for half the cable and negotiates the right to land the cable in Japan has not been named. But two groups are reported to be fighting for a licence to compete with Kokusai Den Shin Denwa which has Japan's international monopoly.

A consortium of Mitsubishi, Sumitomo and Sanjiko has declared an interest in competing. A second group consisting of C. Noh and Cable and Wireless is also thought to be keen. Negotiations are thought to be going on between all the companies.

Bonn achieves record trade surplus

Continued from Page 1

Officials in Bonn maintain that as the year progresses the trade surplus will shrink, as greater consumer demand sucks in more imports and the initial perverse effect of a more expensive D-Mark, which depresses the value of imports, wears off.

The problem for the authorities, however, remains that the domestic economy is showing less vigour than expected - even though the latest figures for industrial production and orders, also released yesterday, suggest that, after a poor first quarter, the picture may be improving.

While output by manufacturing industry climbed in April by 1.5 per cent, after declining in March, total orders booked in April rose by 4 per cent from March, thanks to stronger interest from domestic customers.

Washington accused of jeopardising summit

Continued from Page 1

ground stations. Marshal Akhromyev, holding a copy of the Salt-2 treaty, said the Soviet side was not encrypting or coding signals about throw weight, launch weight, general dimensions, type of fuel and number of warheads because this was banned by Salt. Other signals are coded. When the Soviets asked the US what it wanted to know about the coded signals they received no reply, he said.

● The Krasnoyarsk radar station in Siberia. Mr Bessmertnykh repeated the Soviet claim that this radar station now under construction, is for tracking Soviet and US space vehicles. Scientists would be able to tell from its radar emissions once it came into operation that this was the purpose of the station. He denied it was for anti-missile defence, thus violating treaties with the US, and claimed the Soviet offer of talks about Krasnoyarsk and two

Airbus faces new Boeing challenge

Continued from Page 1

jet ever exceeding the 1,831 total of the earlier Boeing 737, now out of production.

The 737-400 will be cheaper than the A-320, because of lower development costs. Boeing will also develop it quickly, to get it into the marketplace alongside the A-320.

So far, Airbus has won orders for more than 100 A-320s, but Boeing believes that the further orders for 737-400s now in negotiation will soon overtake the A-320 figure. Some existing orders for earlier 737s may now be converted to Series 400s.

The 737-400 will have a fuselage stretch of 9 feet 8 inches, to enable it to carry the bigger 145-seat payload. The engines will be the same as in the existing 737-300, the Franco-US (Sneema-General Electric) CFM-56-3 engines.

World weather

Location	Temp	Wind	Cloud	Temp	Wind	Cloud
Algeria	21	20	20	13	15	15
Amman	21	20	20	13	15	15
Andover	11	12	12	13	15	15
Antwerp	11	12	12	13	15	15
Athens	21	20	20	13	15	15
Bahia	21	20	20	13	15	15
Bangkok	21	20	20	13	15	15
Barcelona	21	20	20	13	15	15
Bombay	21	20	20	13	15	15
Buenos Aires	21	20	20	13	15	15
Calcutta	21	20	20	13	15	15
Cairo	21	20	20	13	15	15
Cardiff	21	20	20	13	15	15
Chennai	21	20	20	13	15	15
Copenhagen	21	20	20	13	15	15
Dakar	21	20	20	13	15	15
Dallas	21	20	20	13	15	15
Delhi	21	20	20	13	15	15
Dublin	21	20	20	13	15	15
Edinburgh	21	20	20	13	15	15
Geneva	21	20	20	13	15	15
Hankow	21	20	20	13	15	15
Hong Kong	21	20	20	13	15	15
Imbabura	21	20	20	13	15	15
Jakarta	21	20	20	13	15	15
Johannesburg	21	20	20	13	15	15
Kobe	21	20	20	13	15	15
London	21	20	20	13	15	15
Los Angeles	21	20	20	13	15	15
Lyon	21	20	20	13	15	15
Manila	21	20	20	13	15	15
Mexico City	21	20	20	13	15	15
Mumbai	21	20	20	13	15	15
Nairobi	21	20	20	13	15	15
Osaka	21	20	20	13	15	15
Paris	21	20	20	13	15	15
Perth	21	20	20	13	15	15
Port of Spain	21	20	20	13	15	15
Prague	21	20	20	13	15	15
Rangoon	21	20	20	13	15	15
Rio de Janeiro	21	20	20	13	15	15
Rome	21	20	20	13	15	15
Sao Paulo	21	20	20	13	15	15
Seoul	21	20	20	13	15	15
Singapore	21	20	20	13	15	15
Sydney	21	20	20	13	15	15
Taipei	21	20	20	13	15	15
Tokyo	21	20	20	13	15	15
Toronto	21	20	20	13	15	15
Winnipeg	21	20	20	13	15	15
Zurich	21	20	20	13	15	15

Growth key to rates

Continued from Page 1

"They find this pressure to grow very disturbing," the official said, adding that there were concerns that too rapid a dollar devaluation would reignite inflationary pressures in the US which they feared were not as subdued as current statistics suggested, influenced as they were by the sudden fall in oil prices.

While uneasy about US pressure, some officials yesterday made clear that they still welcomed Mr Baker's efforts to improve international economic policy co-ordination, and the shift in US attitudes towards international co-operation on economic issues which he had implemented.

Mr Pöhl, for example, cited the change in US attitudes as a key factor in the progress that has been made, describing it as "a remarkable and significant change in attitude and behaviour." He emphasised, too, that he would not exclude intervention in exchange markets to try to achieve greater stability.

● Mr Volcker said he continued to see a debt crisis for the Third World, particularly those countries hardest hit by falling oil prices. Reuter reports from Boston.

Mr Volcker said: "We have made very real progress over the last three years followed by some very real problems," in terms of Third World debt.

He said: "We should not view this as behind us. Some very real problems remain, specifically for those countries that suffered an oil shock."

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مكتبة

FINANCIAL TIMES SURVEY

As Australia moves towards its bicentenary in 1988 it is, like those early settlers, in for a testing time. Mr Hawke's Labor Government faces enormous challenges now that the country has slipped out of the top ten in the world economic league

Australia

Rough water ahead

IN JUST 19 months' time, Australia celebrates the 200th anniversary of the first foreign settlement. A 16m-strong cosmopolitan nation of immigrants will proudly toast their liberal democracy and standard of life, proclaim their unity in diversity and bask confidently in the prospect of a bright future.

No one would deny the Australians their just celebration. From a blend of British, European and American institutions and cultures they have forged a unique society—full of opportunity yet egalitarian, individualistic yet with a collective streak.

But this most urbanised of people, dwelling so securely on the sun-baked rim of a sparse South Sea island the size of Western Europe, now faces enormous challenges in coping with the future. Their optimism, like that of the earliest settlers, is going to be sorely tested.

If this seems a surprise, it is worth remembering that Australia has now slipped out of the top ten in the world economic league. Indeed, there is no shortage of Australians warning that their country is now truly on the slide.

The nation, they say, has been living beyond its means for too long. They point to crime, corruption and drug abuse, to cloistered uneenterprising businessmen and bloody-minded trade unions, to lost generations caused by high unemployment and to complacency and willful ignorance borne of peace and isolation.

Presiding over this

extraordinary country's affairs is Mr Bob Hawke, the down-to-earth 56-year-old Prime Minister. Voted into office in March 1983, just a month after securing the leadership of the Labor Party, he was re-elected at the end of 1984 and expects to take Australia into the 1990s after winning the next poll, conveniently due around the time of the bicentennial.

His ambition is to do in Australia what Mr Harold Wilson failed to achieve in Britain—make Labor the party of government. The conservative

By Chris Sherwell

opposition-coalition of the Liberal party and the National party, which has dominated government since the Federation was formed in 1901, is determined to regain what it sees as its rightful place in power.

Whoever wins this gladiatorial contest, will provide a lesson for Australia and for many of the world's industrial countries, including Britain. Australia's central political issue, like theirs, is the management of the economy. Mr Hawke, through his own brand of "consensus" politics, has pulled labour, business and government along an agreed path aimed at sustained growth—and his policy has reached a crossroads.

This month, the country will complete its third successive year of strong economic growth averaging 4½-5 per cent in real terms. The forecast for 1986-87 is 3-3½ per cent. Under Labor,

Australia will have seen an unparalleled period of expansion, well above the average of its partners in the Organisation for Economic Co-operation and Development (OECD).

Stoked by a fiscal stimulus which began under the previous Fraser Government, and helped by the early breaking of a drought and the US's recovery, the growth has created more than 800,000 new jobs and become Mr Hawke's greatest political asset. But it has not come without cost, most crucially to the balance of payments. The current account deficit will rise above A\$13bn in 1985-86, around 6 per cent of gross domestic product and well up on the previous year's high figure of A\$10.5bn.

Having courageously floated the Australian dollar earlier, the Government has paid for this swollen deficit with a sharp currency slide—30 per cent on a trade-weighted basis—in February, April and November last year. Monetary policy has since been tightened, driving interest rates to record high levels. Price inflation is meanwhile touching a worrying annual rate of 9 per cent, well above other OECD countries' levels.

The depreciation was supposed to improve the competitiveness of domestic manufacturers against competing imports and stimulate domestic investment. So far the signals are mixed. An improved commodity export performance was also sought, but the Government's difficulties here have been severely complicated by

the slide in world prices, which has caused Australia's terms of trade to worsen disturbingly.

An even bigger problem is a triple promise made by Mr Hawke ahead of the 1984 election. Known misleadingly as the "trilogy," it commits the Government not to increase its spending or tax revenues, and to a reduction in the budget deficit, each as a proportion of gross domestic product.

The Labor Government is now in the midst of a second round of cuts since that pledge was made, and is finding the process extremely painful. Failure to meet this year's target of A\$1.4bn would rupture one part of the trilogy and thereby all of it. To reach it may mean welfare cuts which would cause uproar on the party's left.

But this is not all. Mr Hawke has constructed a whole edifice of economic policy from a network of fragile building blocks, of which the trilogy is but one. Another is deregulation, at least

in the financial sector, where the currency and interest rates have been freed and foreign banks have been allowed in.

A third is the tax reform package announced last September after a much-vaunted "tax summit" involving the Government, employers and unions. Labor is committed to a capital gains tax and fringe benefits taxes, and to income tax cuts at upper levels of income.

The most important cornerstone underpinning Mr Hawke's economic policy, however, is the "Accord." First unveiled just before Labor came to power in 1983, the Accord is a prices and incomes agreement between Labor and the trade union movement which, thanks partly to an inherited "wage pause" imposed by the Fraser Government and partly to genuine union restraint, has seen wages rise more slowly than prices and the share of profits increase.

In September last year the

Government and unions renewed the agreement in the "Accord Mark II," under which labour showed further restraint. The unions stopped short of demanding full indexation for the inflationary impact of the dollar's depreciation, deferred claims for productivity increases and agreed to take its proceeds later as superannuation payments.

Needless to say, it is one of the contradictions of Labor policy that its commitment to market forces in the highly institutionalised labour market. More importantly, failure to deliver on the Accord and on tax reform would drive a coach and horses through Labor's commitments to workers and taxpayers, and could threaten the Government's survival.

Labor has already begun complaining bitterly at the apparent failure of business to respond to the changed environment. But Mr John Howard, the opposition

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This survey is an integral part of today's issue of the Financial Times and is not for sale as a separate section



leader finds plenty to make political capital from: the unemployment rate turning back up, record high interest rates, high inflation, the large current account deficit and heavy foreign debt, and the dollar's depreciation.

To the Liberals, the Government seems most vulnerable on the tax issue. On the political front they see its weakness as the inordinate influence given to the unions. Yet, while committed even more intensely than Labor to market-orientated free-enterprise policies in a push for greater productivity and competitiveness, Mr Howard faces serious problems winning full-blooded electoral support.

Employers, for example, recognise that the Accord has been good for them, and would be unhappy to see it collapse. The wider perception is that, in the nine months since he took over from Mr Andrew Peacock as leader, Mr Howard has yet to capture the public imagination—even though the opposition, despite its diatribe, has stayed well within striking distance of Labor in the opinion polls.

Politics in Australia is a notoriously venal business, and no one doubts that the opposition's real problem is that Mr Hawke has captured the ground from under its feet. Naturally conservative himself, he has overcome the left of his party and offered policies to retain the popular support of a largely conservative electorate by avoiding any reminders of the disastrous Whitlam experience in the 1970s.

That has in turn pushed the opposition out to the right. The Liberals stoutly maintain that their alternative will appeal to

"middle Australia," especially small businessmen and farmers who feel excluded by Mr Hawke's corporate style of politics. But most analysts believe Mr Howard, short of an upset for Mr Hawke, still has a long way to go.

An upset is not impossible, however. The premiers of federal Australia's component states can be expected to react unhappily next week when they are told by the Government that the states' purse strings must be cut. The Labor Party's biannual conference next month may well be stormy. Both the budget, due in August, and the subsequent tax cuts, are posing problems—and Labor does not control the Senate, or upper house, where the Democrats, a third party, have the balance of power.

A further political complication is posed by the continuing 2½-year saga of a High Court judge, Justice Lionel Murphy, who stands accused of misbehaviour and is now the subject of a parliamentary inquiry which is expected to report by September. A former Labor Attorney General, Justice Murphy is a party favorite. If he has to go, Mr Hawke will face still more trouble.

Horizons are already starting to narrow as the next election approaches. Electoral considerations are starting to count more, and an early election is not ruled out. Whether the electorate would readily accept what would be the second in a row is another matter. Australia, something of an over-governed country as it is, has too many elections for most people's liking, partly because voting is compulsory.

CONTINUED ON PAGE TWO

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AUSTRALIA 3

Banking

Gearing up to competition

THE AUSTRALIAN banking sector, once highly regulated and concentrated, has changed beyond recognition with most restraints lifted and the market opened to competition from newly-licensed foreign banks and aggressive non-bank retail institutions.

With all but one of the 16 foreign banks now open, the Bank of China reclaiming its former branch status and two local groups transformed—one from a merchant bank and another from a building society—to bank status in the past 15 months Australia is heavily banked.

Already there were four nationally operating full service trading/savings banks, five state limited banks, two foreign branch banks and four specialist government banks, while the transformation of the banking scene has also been matched by the issuing of merchant banking authorities to an additional 50 groups, previously unrepresented in Australia or acting solely through representative offices.

But there remain questions as to how competitive the 16 new foreign banks will be with Professor Tom Valentine, head of the Centre for Money, Banking and Finance at Macquarie University, believing the market to be too small for all the banks to be successful.

"I think three or four will make it and are aroused by year

2000." Mr Rob Ferguson head of the Bankers Trust Australia, a highly successful merchant bank now a licensed bank, also believes that in five years there will be some "sorry tales" from among his competitors.

"It won't be so much people going out of business but rather they just won't be making it," with losers becoming dormant.

The threat posed by the new banks also has been put in perspective by a recent study from stockbroker A. C. Goode and Co which noted that based on fresh capital for the new banks of A\$1bn plus an additional A\$600m already employed by the merchant bank and finance company offshoots of the new banks.

The restrictive gearing ratio imposed as an initial measure by the Reserve Bank of 15.3 times (compared with 20 times for existing banks) meant their asset base could rise to around A\$20bn.

While that is around 16 per cent of the current banking sector total, it is not expected that proportion of the market for four to five years, when the total banking market will have doubled should the average 15 per cent growth rate of the past five years be maintained.

A survey of the three major stock exchanges listed private banks—ANZ, National and Westpac—by Wall Street securities firm, Salomon Brothers,

earlier this year pointed to the strong profitability of the local banks, a factor which underlines the attractions of the market to the new participants and the likely pressure on domestic profitability for the existing operators as the monopoly element in their earnings is displaced through increased competition.

Ranked against Salomon's own US money centre bank averages, the local banks scored a handsome advantage, with the return on average earnings assets varying from 1.02 per cent to 1.19 per cent for the September, 1985, year compared with the 0.78 per cent US average.

Return on equity at between 16.7 per cent to 18.2 per cent compared with the US average of 13.9 per cent, while on asset quality measures—bad debt charges at between 0.19 per cent to 0.26 per cent of average loans compared with 0.68 per cent on the US average loan loss provisions of 1.01 per cent to 2.41 per cent against an average 1.45 per cent—the Australian banks also measured up well.

Capital adequacy tests also showed the banks with equity and loan loss reserves at between 6.1 per cent and 7.4 per cent of total assets compared with a 5.9 per cent money centre average. The survey also noted that while traditionally the scene had been dominated by a co-ownership of a few well-capitalised and conservative

banks the sector faced an unprecedented level of competition through the process of domestic and international deregulation.

This pointed to the need for the four majors—including the government-owned Commonwealth—would have to "adapt their delivery systems, culture products and human resources to an international standard to protect—and possibly improve—their lucrative domestic franchises."

The local banks are well aware of this challenge and through the merger phase in 1981-82 and through aggressive seeking after market share from other members of the financial community the general domestic thrust has been to spread overheads through scale of market share—either in road market terms in Westpac's case or concentration for the ANZ of the corporate market.

This has been matched by a drive to alter and reduce delivery and transaction methods and costs through automation of clerical functions, combined with a drive to eliminate paper-based transactions through the installation of a wide network of automated teller machines and development in-bank electronics for customer use and electronic funds transfer at point of sale (EFTPOS) systems.

In this area the banks and others in the financial community are slowly moving to a

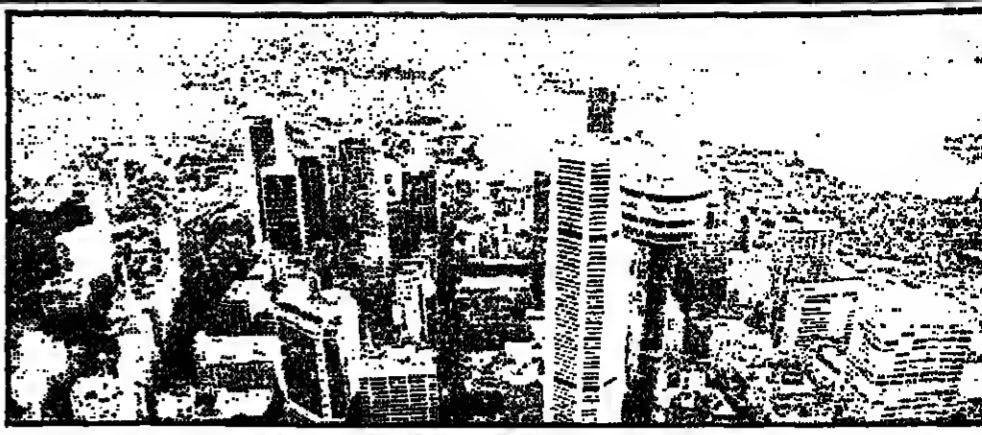
more co-operative approach, in part induced by the linkage of some of the new operators to both existing bank networks and those established by the building society and credit union networks.

However, full integration of the various plastic/electronic networks remains a point of argument within the banking sector and without, with the banks generally pushing for a gateway approach to EFTPOS which would see all transactions shunted through the banks against an open network which the bank see as potentially weakening the integrity of the banking system.

The technology approach is an initially high cost one requiring a high level of volume before it effectively breaks through to a cheaper operation, but one which must be pursued if overheads are to be reduced to match the generally tight and slim new operators.

Indeed, the Salomon's review shows that in this area the local banks are relatively flabby, with non-interest costs varying from 3.78 per cent to 4.58 per cent of average earning assets compared with 3.2 per cent for the US money centre banks.

This reflects the greater concentration on branch banking—unlike the US money centre banks—which provides both an advantage and a penalty. The advantage comes from having e



Sydney's financial centre: local banks are aware of international challenge

street presence in 1,200 to 1,500 locations, with the penalty from the imputed cost of running that network, particularly when the non-interest bearing portion of each bank's deposit base is reducing rapidly through increasing sophistication of customers and the proliferation of competing investment and banking avenues.

The banks have moved to increase the volume and variety of business offered through the branches and to redirect previously clerical staff to its business generating and service roles.

They have shifted into stockbroking: increased the emphasis on unit trust style property and equity investment vehicles, moved into life insurance and made wider offerings of general insurance products through existing insurance companies linked with their finance company offshoots.

In part, the response is to generate non-balance sheet income and to gain overall financial market share less

through balance sheet measures than through broader involvement by the banks in overall financial transaction volume.

Meanwhile, the 1984 move by the ANZ to take over Grindlays and its international network of operations and the more recent decision by Westpac to buy the rump of the Johnson Matthey gold banking and trading operations reflect the international thread to the Australian banks' response to increased local competition.

Counting the ANZ and Westpac's extensive domestic interests in New Zealand as foreign the ANZ draws on the local Australian market for an estimated 45 per cent of its group balance sheet compared with 55 per cent for Westpac and about 18 per cent for the National. The National has yet to make the international acquisition plunge, but it is on the look out for a quality purchase at around one third its size. The National group's total assets are some A\$35bn, with the main

bank having assets of A\$25bn. Each (though has significantly increased the scale of its international business. Westpac has some A\$6bn of offshore business—excluding New Zealand and Papua New Guinea—and representing close to one quarter of its trading bank assets, the National has doubled the share of foreign business on its books since the 1970s to some 22 per cent.

Of the ANZ's offshore assets Grindlays accounts for around half—some A\$9bn—with New Zealand at some A\$3bn and the remaining A\$6bn spread through London, the US and Asia. With the total domestic financial market about the same size as Citibank's balance sheet and under assault from external forces the local banks have taken the obvious cue to move to a wider stage for the bulk of future assets and earnings growth.

Lachlan Drummond



Trading floor of the Sydney Stock Exchange: Keating warning underlines need for selectivity

Stock Market

Takeover fights boost prices

THE AUSTRALIAN stock market has rewarded the selective optimist with its 20 per cent increase so far this year, but with the Treasurer Paul Keating's "banana republic" comments ringing in its ears has lost some of its steam.

The gloomy economic realism of the Federal Treasurer, although echoing much of the underlying sentiment for the market, managed to nip 4 per cent from the top of the market and leaves investors more closely focusing on sectors and companies that have the capacity to prosper in the uncertain stretch of economic reconstruction that faces the country.

The need for selectivity is underlined by the highly patchy performance of the market so far this year, with a large impetus for the 20 per cent rise for the overall market indicator, coming from one-off situations.

The continued battle for control of the largest company, Broken Hill Proprietary Co, has contributed to the upward surge and has also provided its own record setting trading patterns, with the Elders IXL raid worth A\$1.7bn concluded in two days.

Likewise, the post-Wapping benefits to be drawn by Mr Rupert Murdoch's News Corporation has seen the value of its shares almost treble from around A\$9 to close to A\$25, catapulting the company to an oscillating battle with mining heavyweight CRA and leading bank Westpac for the number two position on market capitalisation, a bout News will eventually clearly win.

This rise has produced a 63 per cent growth for the media industry this year, which has also seen above average gains racked up by the banking sector—25 per cent up and down from its best—the retail sector—up 27 per cent, and the diversified index—mainly the aggressive takeover operators—scoring a 41 per cent increase.

The latter increase suggests

from where much of the fuel for the market has come, as alongside BHP the leading glass and building products group ACI has come under takeover assault while rumours and provocative shareholdings have played their part in boosting share prices of a range of other mature industrial companies with open share registers.

A large slice of that increase has been delivered by the shadowy group of "friends" which emerges at times of takeover or speculation and which has seen Australia's leading establishment companies emerging as shareholders in their embattled brethren.

The activities of the defectors have become as aggressive as the raiders and indeed there are steps afoot for investigations to determine whether there is a co-ordinated effort to deny the opportunity for takeovers for Australia's corporate heavyweights.

While takeover speculation and a targeting of local companies with solid balance sheets and increasing exposure to international markets has added value to industrial shares—up 31 per cent overall—the resource boards have generally looked sick.

The oil and gas sector is down 25 per cent for obvious reasons, while the metals and minerals side has edged up 2 per cent against a backdrop of unexciting metals prices and a firming of the Australian dollar against the US dollar to which most of Australia's minerals exports are based.

While the market place has been rolling, the framework for the market is also due for change, both through further integration of the stock exchanges, the introduction of computerised trading, a centralised settlement system and the prospect of 100 per cent ownership of brokers by non-members.

Lachlan Drummond



Australian currency \$100 note, Sir Douglas Mawson, Antarctic Explorer (1882-1958). Mawson who features on the Australian \$100 note is famed for his heroic exploration of Antarctica along with Sir Ernest Shackleton, locating the South Magnetic Pole. Mawson gave his name to Australia's major Antarctic base and also penned the polar classic 'The Home of the Blizzard'. Mawson was knighted and among many honours received the first David Livingstone Centenary Medal of the American Geographical Society.

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AUSTRALIA 4

Politics

Mud-slinging on a grand scale

FOR ALMOST two weeks last month, Australia's political establishment was convulsed by a breathtaking series of events focusing on the future of one of the country's top judges. Abroad the episode scarcely rated a mention. But at home it dominated public life, and everyone agreed it graphically illustrated the true flavour of Australian politics.

At the centre of the affair was Justice Lionel Murphy, a left-leaning Attorney General in the Whitlam Labor Government who was elevated to the High Court, the country's top bench, in 1975. Last month's events began when he was finally acquitted by the New South Wales Supreme Court of attempting to pervert the course of justice. But their origins go back much further.

According to Mr Murphy, the whole case is politically motivated. True or not, he is alleged to have tried, as far back as 1979, to influence a senior magistrate in a case involving his friend Mr Morgan Ryan, a Sydney solicitor. The allegation might not have surfaced had newspapers not revealed, in late 1983 and early 1984, details of illegally taped conversations between Mr Murphy and Mr Ryan which convinced the magistrate, Mr Clarrise Briese, that there had been a conspiracy to pervert justice.

Thus began Mr Murphy's fight. A committee of the Senate, or upper house, looked into the matter and finished split on party lines. In October 1984 a majority of a second Senate inquiry found Mr Murphy had misled, and the public prosecution laid two charges against him.

Mr Murphy went through a committal hearing and was ordered to stand trial in July 1986. After testifying under oath he was found guilty by a jury and sentenced to 18 months in jail. Mr Murphy appealed last November and won a retrial,

chiefly because of the judge's directions to the jury. In the new trial Mr Murphy made an unsworn statement which could not be cross-examined and, on April 28, secured his sensational acquittal. That lifted the curtain on a spectacular drama. Mr Murphy promptly condemned the whole affair as "political from the start," while Mr Neville Wran, the Labor premier of New South Wales, declared that Mr Briese, the magistrate, did not have his confidence.

It quickly became clear that the future of Mr Murphy was far from settled. Within days it emerged that the public prosecutor had previously rejected advice to prosecute Mr Murphy on other charges. At the same time, a Royal Commission on the police tape-recordings confirmed they were authentic and submitted a confidential report to the Government and Opposition leaderships which plainly fuelled concern.

In a flurry of events, Mr Bob Hawke, the Prime Minister, met the Governor General, Sir Ninian Stephen, and the Chief Justice, Sir Harry Gibbs, but distanced himself by refusing all comment. Mr John Howard, the opposition Liberal Party leader, demanded Mr Murphy's resignation from the High Court and, failing that, a parliamentary inquiry to seek his removal under the constitution on the grounds of "proved misbehaviour."

As each leader accused the other of bringing the judiciary into disrepute, Mr Murphy's colleagues in the High Court let it be known they were unhappy with his planned return to the Bench. But he was resolutely standing his ground, and a real crisis was in the offing.

Under pressure, Mr Hawke backed a plan under which the High Court judges would consider written responses by Mr Murphy to the allegations against him. But the plan back-

John Howard, opposition Liberal Party leader, who has been seen to miss no opportunity in pressing home his case in the affair concerning Judge Lionel Murphy. Mr Howard has proved to be quick-witted but somewhat lacking in charisma



fired when the Court realised it could not become involved in so obviously political a matter.

Forced to reverse position, Mr Hawke ordered the parliamentary inquiry sought by the opposition. Three retired judges were expected to review Mr Murphy's conduct with the aim of advising parliament whether it constituted "proved misbehaviour." Mr Murphy was expected to challenge any unfavourable result, and Mr Hawke therefore faces another time-bomb—the last thing he wants in an affair already 2½ years old.

Indeed, the affair poses something of a threat to the survival of the Hawke Government. Mr Murphy, a man of rare energy and resolve, is like a folk hero to his supporters on Labor's left. A verdict from the inquiry that he should go could wreak havoc on Labor's fragile unity.

Even if matters don't reach this stage, the affair has already demonstrated the vituperative quality of domestic politics. Throughout the episode last month, mud was slung on a grand scale that even Government and opposition heaped abuse on each other, and the media gleefully inflamed matters further.

Mr Howard was shown to miss

no opportunity to press home his case, appearing before ever-ready television cameras several times a day. Mr Hawke, wringing as much about discontent within his party as the advantage sought by the opposition, was shown to have delayed action which ultimately became inevitable.

No one escaped unscathed, but where right lay was anyone's guess. Mr Murphy's supporters said his attackers had pursued him ever since he was elevated to the High Court and shared all the faults attributed to Mr Murphy. Mr Murphy's critics said he had been pursued for good reason.

If both are correct the affair speaks volumes about standards in Australian public life. If not, it still exposed the problems of politicians becoming judges — and judges politicians. The affair also went a long way to show how the central political issue in Australia — namely the management of the economy — can be buried under an avalanche of less prosaic political controversy.

According to senior Liberal party officials, it will ultimately be the tax issue which decides the future of the Hawke Government. Certainly if Labor cannot deliver on its tax and spending

commitments this year its agreement with the trade unions curbing wage and income increases, which has been central to the Government's successful management of the economy, could fall apart.

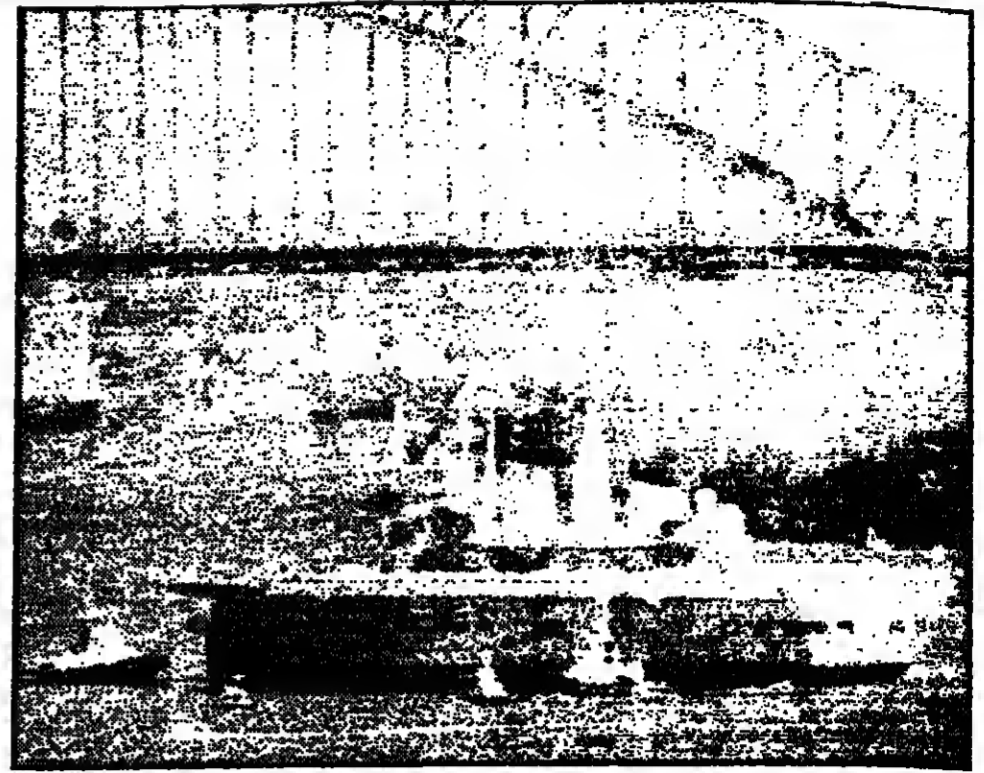
The most important test will come in August, when Mr Paul Keating, the Treasurer, delivers his budget for 1986-87. It is well known that the Government has been going through terrible trouble looking for expenditure cuts in order to contain the budget deficit. Without these, its promised tax cuts will look far more difficult.

In the meantime the public opinion polls make interesting reading. A Morgan Gallup poll last month showed a reversal of government and opposition fortunes, with support for the Liberal-National coalition climbing to 48 per cent and Labor's sliding to 45 per cent. In the 1984 election the figures were 47.9 per cent to 45 per cent in Labor's favour, with another 5.4 per cent going to the Australian Democrats.

This significant turn-round for the opposition was not matched in ratings about the party leaders. Mr Howard, leader for only nine months, is said to lack charisma and was only a 23 per cent approval rating in the same poll. Mr Hawke, whose down-to-earth style is difficult to match, secured 57 per cent, and of the two remained the preferred prime minister by a wide margin.

This could change. Mr Hawke can trip up, and Mr Howard is quick-witted and articulate enough to exploit a setback. The next election is due by the beginning of 1988, when the country is to celebrate its 200th anniversary in fine style. The opposition is already focusing on 21 marginal seats in its bid to regain power, but the popular judgment last month was that Mr Hawke could not lose.

Chris Sherwell



HMS Invincible in Sydney Harbour. The decision by the UK to keep it after the Falklands operations saved Canberra unnecessary capital and operational expense

Defence

Along a delicate path

A SENSE of anticipation was growing within Australia's tiny coterie of defence analysts last month. Service chiefs, Defence Department officials and academic researchers were eagerly awaiting reaction to publication of the long-awaited Dobb report, expected around the end of May.

Written by Mr Paul Dobb, a former intelligence official and now a widely respected researcher at Australian National University's Strategic and Defence Studies Centre, the report is a major review of Australia's defence capabilities ordered last year by Mr Kim Beazley, Minister of Defence.

The terms of reference were wide. As described by the Defence Department, Mr Dobb was to examine the content, priorities and rationale of the defence forward planning and to gather public opinion on which capabilities were appropriate for the country's present and future defence requirements.

This meant a review of all the armed forces' equipment, facilities and activities, and of Australia's plans to deal with various levels of threats. The report is clearly aimed at gathering public opinion behind a change of direction in official Australian defence thinking which has already occurred—away from past principles of "forward defence" and dependence on a "great protector," and in favour of greater self-reliance and the defence of Australia.

To outsiders it is surprising that the defence has not done so long ago. But it was only in the 1970s that Australia felt itself obliged to think about such matters, and even now many people remain uninterested in defence. For most of the country's history Australians have calculated that they are defenceless and need the protection of powerful friends against outside threats. The bloody price has been paid fighting with the British and the Americans—against the Maoris and the Boers, in the Boxer rebellion and in two World Wars, and in Malaysia, Korea and Vietnam.

It was Churchill's Europe-first strategy and the fall of Singapore in 1942 which caused Australians to look away from Britain and towards the US for protection. The Anzus Treaty of 1951, linking the US, Australia and New Zealand, became the cornerstone of Australian defence and remains so.

Australians were nevertheless forced to re-assess the Washington relationship after the US defeat in Vietnam and, in particular, President Nixon's 1970 announcement in Guam. Henceforth, Mr Nixon had said, countries like Australia and New Zealand would be expected to defend themselves in regional conflicts.

It is one of the ironies of the US relationship that Washington has meanwhile become dependent on three joint facilities in Australia—at Pine Gap, Nurrungar and the North West Cape—as part of its global nuclear strategy. Though the presence of these "bases" is strongly opposed by the Left and by peace activists, successive Australian governments have argued that they contribute to nuclear stability.

As for the "cuzum doctrine," this has slowly but surely generated fresh principles of defence policy. These can be summed up simply as the need for a self-reliant capability, the necessity for the best possible relations with the country's neighbour and a requirement that the US connection through Anzus be maintained.

The problems posed by New Zealand in Anzus are an awkward complication for this evolution. US anger at the Wellington Government's refusal to allow nuclear-powered or nuclear-armed ships into New Zealand ports has effectively removed one arm of the alliance, leaving Canberra to tread a delicate and perhaps impossible path between the two without alienating either.

Against this, Australia retains good relations with Singapore and Malaysia. All three are partners with Britain and New Zealand in the Five Power Defence Arrangement which operates an integrated air defence system over Australia and Singapore. Australia's closest defence relations are with Papua New Guinea, its former colony immediately to the north and contiguous with Indonesia.

However, it is the shift to self-reliance which is moving to the centre of Australia's defence policy. The defence forces are being restructured, simply because they had been geared to fighting other people's wars far away.

On the other hand there was undoubted relief that Australia did not end up actually buying the British aircraft carrier Invincible as originally agreed. The UK's decision to keep it after the Falklands War saved Canberra unnecessary capital and operational expense.

Other equipment purchases are under way, based on a clear line of analysis reflecting its new principles. According to this, Australia should have excellent intelligence in the region, good surveillance capabilities and a capacity to react against almost any conceivable threat.

What that threat might be is difficult for most ordinary Australians to conceive. After all, the country lies in one of the most benign environments in the world. No country other than a superpower has the capacity to invade, and the chances of this are extremely remote, especially given the Anzus pact.

Defence analysts estimate

several years' warning of any other country wanting to launch even a limited attack. But it is also clear that Australia, with its 12,000 miles of coastline, vast spaces and small population, is highly vulnerable to low-level threats—infringements of airspace or maritime zones, for example, or even brief force landings in remote spots.

The Dobb report, among other things, will spell out how the country should handle this wide range of contingencies. But as its purchases and activities show, Australia has already moved ahead in implementing its plans.

Several airbases are built or under construction in the north and north-west of the country. It is purchasing 75 McDonnell-Douglas F/A-18 combat aircraft to replace its ageing Mirages, and last month decided to buy 14 Sikorsky Blackhawk helicopters, the first of up to 100 for the army to transport its soldiers for dispersed operations.

On the surveillance front, Australia has bought Lockheed P-3 Orion aircraft for maritime patrols and is close to operating an inexpensive over-the-horizon radar system with a range of 2,500 miles which can track both aircraft and ships. Airborne early warning systems are under consideration, and Australia is engaged on research with the US on a space-based system for tracking aircraft.

Beyond this Australia is replacing its six Oberon-class submarines which, with its F-111 bomber aircraft and armoured tanks, are intended to provide the core of Australia's capacity to react quickly to any threat. If none of this is cheap, Australia spent almost A\$40n, about 2.9 per cent of its gross domestic product on defence in 1984-85—all surveys show the conservative Australian public broadly supports it. After the Dobb report, their reasons for doing so will be much clearer.

Chris Sherwell

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Greater focus on North East Asia



Mr Bill Hayden, whose first trips overseas as Foreign Minister were to Asean countries

ON THE NIGHT of April 22, a planeload of Australian tourists was barred from entering the Indonesian island of Bali. Some of them, garbed in their familiar shorts, singlet and thongs, were bewildered, unaware of what was going on. While they were airborne, the Indonesian government had cancelled the visa-free travel rights of Australian tourists. It was one of the moves in Jakarta's diplomatic offensive against Australia, precipitated by a lead story in the Sydney Morning Herald alleging the ill-gotten wealth of Indonesian President Suharto's family and friends.

Although the rights were restored the next day, the incident exposed the brittle state of relations between the two countries despite rhetoric on both sides that they were getting stronger. The tirade had not only triggered a re-think of Australia's relations with its closest Asian neighbour but also raised questions about the government's diplomatic strategy in the region.

Apart from the visa incident, the Herald story also led to the cancellation of scheduled visits to Australia of Indonesian technology minister, the review of the defence co-operation pact between the two countries, and the banning of Australian journalists from covering the recent meeting in Bali of foreign ministers of the Association of Southeast Asian Nations (ASEAN) which was headed by President Reagan.

Australia had invested considerable effort and resources to cultivate close ties with ASEAN. The Labor government's idea of Australia becoming a member. Although the idea has been buried deep in the bin, Australia still attaches great importance to ASEAN, now mainly for economic reasons.

Australia recognises that its growth prospects depend greatly on expansion of trade with the region. The closeness of the Asean countries, the size of their population and their dynamic economies underpinning Australia's long-term need for friendly links.

Indeed, during the 1970s Australian exports were directed increasingly towards Asean and other east Asian countries, while imports were also "Asianised" at the expense of Britain, the U.S. and other European countries.

But apart from reasons of economic security, the desire to "belong" in the region also has emotional roots. Until the second world war, most Australians were Euro-centric, viewing Asia through British eyes since most information came through British channels.

Even the strategic defence rationale for close Asean ties seems to be weakening. One of the cornerstones of Australia's defence strategy is that an armed threat could come from, or via its northern neighbours. After the war, the major sources of paranoia were military Japan and Communist China. But the two are no longer seen to pose security threats.

A recent defence policy review, expected to guide Australia's future strategies, was based on the belief that the country faces no armed threat in the foreseeable future.

In fact, the pursuit of closer ties with China and Japan has been in full swing. Trade offensives had been launched and Mr Hawke's recent trips to Tokyo and Beijing are part of this.

Australian companies have jumped onto the bandwagon to China and their efforts have so far been well rewarded. Exports to China in 1984-85 reached a record A\$1.1bn, 73 per cent above the previous year's figure. Most of the exports were raw commodities and Mr Hawke's Beijing visit was partly an attempt to get a crack at the industrial machinery market.

Meanwhile, Japan is being wooed to support the fight against the European community's farm subsidies which had squeezed Australian exports, and the possible creation of an Asia-Pacific economic cooperation bloc akin to the EEC.

While the move towards greater focus on North East Asia is gaining ground, relations with southeast Asia nevertheless will remain close. Geographical and political realities dictate that relations with neighbours be naturally friendly. And though Australian initiatives may not come in a barrage as they did before, defence cooperation pacts, bilateral aid, trade and cultural and educational exchanges will proceed as usual.

Emilia Tagaza

BALANCE OF PAYMENTS

Financial year to June 30	Exports \$m	Imports \$m	Trade balance \$m	Current account \$m	Net private capital inflow \$m	Net government capital inflow \$m	BoP \$m
1972	4,719	-3,791	928	-343	1,905	-83	1,009
1973	5,991	-3,808	2,183	715	422	-60	1,006
1974	6,709	-5,754	956	-909	432	53	-425
1975	8,442	-7,652	790	-1,219	779	-18	-458
1976	9,446	-7,922	1,524	-1,404	490	-45	-1,009
1977	11,446	-10,350	1,096	-2,432	1,700	242	-491
1978	12,006	-11,150	856	-3,043	998	1,505	-540
1979	14,072	-13,386	686	-3,676	2,190	1,962	-114
1980	18,589	-15,829	2,760	-2,003	1,737	-25	-301
1981	18,718	-19,169	-451	-5,456	-6,653	-48	1,149
1982	19,083	-22,379	-3,296	-8,813	9,705	463	1,304
1983	20,656	-21,610	-954	-6,185	7,808	813	2,416
1984	23,720	-23,494	226	-6,711	8,137	424	3,850
1985	29,531	-30,131	-600	-10,165	4,759	1,809	-1,597
1986*	27,156	-30,070	-2,914	-12,072	7,821	2,825	-1,426

* First nine months.

Source: ABS.

Trade

Prices take a tumble

THE WORLD has given us a swift kick in the pants by dropping the prices of things we normally sell, so that real prices of our export commodities are now the worst since the depression. Such a gloom statement was uncharacteristic of Australia's Federal Treasurer.

The hit came from Mr. Paul Keating, whose public statements had usually been dominated by rhetoric on economic recovery.

But the huge current account deficit incurred last April, A\$1.47bn, has forced Mr. Keating to come down to earth and to admit publicly for the first time, that Australia must now contend with a serious trade problem.

The external deficit was blamed on the A\$500m trade deficit in April, the highest since October last year. Total current account shortfall for the first ten months of 1985-86 reached A\$1.1bn, threatening to blow out the Government's projection of about A\$90m for the whole year.

This has renewed pressure on the Government to redefine its international trading strategy which, during the past three years, had aimed at improving and promoting non-traditional manufactured exports to the Asian neighbours. But such a strategy has proved to be easier said than done. The Government's advisory body, the Economic Planning Advisory Council (EPAC), is now calling for certain refinements in the same strategy.

A major thrust in this strategy is the push towards the regional neighbours, particularly South-East Asia. The dynamic growth in the North-East Asian economies had provided fertile ground for expanding trade. The share in total world imports of members of the Association of South-East Asian Nations (ASEAN) has increased from 2.2 per cent in 1962 to 4 per cent in 1984.

Indeed, Australia's trading pattern in the last three decades has changed direction towards Japan and East Asia from Britain, the US and other European countries. The share of Australia's exports going to Japan had risen from a mere 5 per cent in the 1960's to 28 per cent in the early 1980's. Those going to east Asia, which includes ASEAN, China, Taiwan, Hong Kong and South Korea, had increased from 6 per cent to 20 per cent during the same period.

However, the momentum of the regional push had stopped in the last three years. Despite the continuing rapid growth in

the region's imports, Australia's share of the cake has progressively decreased. One reason is that market expansion was due mainly to increased demand for manufactured goods which Australia could not supply competitively.

Despite its image as a developed country, Australia has missed out on its manufactured exports bandwagon. While the rest of the world's manufactured exports had increased from 48 per cent of total exports in 1960 to 62 per cent in 1984, Australia's had actually declined from 19 to 17 per cent during the same period.

This failure to capitalise on manufactures had resulted in the slide in Australia's ranking among the world's exporters from 12th in 1978 to 23rd in 1983. In turn, failure to expand manufactured exports is blamed on the high protective walls that had encouraged import replacement rather than export-oriented secondary industries. The protective umbrella over the manufacturing sector was installed earlier this century and since then had provided disincentives to exporters.

Measures such as tariffs and quotas had unnecessarily raised prices of inputs so that manufacturers found it more profitable to produce for the domestic market than to export. For the engineering goods sector, for example, the Government's Industries Assistance Commission (IAC) found that exports accounted for only 5 per cent of all companies' turnover.

Despite the Government's avowed commitment to reduce protection, its assistance to manufacturing sector has actually increased. An IAC study shows that the sector's average effective rate of assistance, which indicates the extent to which earnings are increased by assistance, rose slightly from 24 per cent in 1980-81 to 25 per cent in 1982-83. The increase was due to the rise in aid to the highly protected areas, such as the motor, textile, clothing and footwear industries.

Another reason for the erosion of Australia's niche in the Asian market is the attitude of Australian traders that Asia is still impenetrable. Trade Minister John Dawkins said, "I believe a significant part of the problem is the lack of effort and enthusiasm on the part of the private sector to exploit trade opportunities available in the developing Asian Western Pacific regions."

One successful Asian venture is trade with China. Exports to

China last year reached a record A\$1.1bn, a 73 per cent rise over the previous year's figure. This year's first quarter figure is another record at A\$300m, up 46 per cent on the same period last year.

The bulk of the exports to China are traditional commodities but the target now is to obtain more turnkey construction and consulting contracts. Among the refinements now sought in existing strategies is the shift in direction of the offensive from south-east to north-east Asia, especially Japan, South Korea, Taiwan and Hong Kong. It is now recognised that in the medium-to-long-term, Australia will have the same comparative advantage with south-east Asia, and that will be in agricultural and mineral products.

Greater complementarities therefore exist with north-east Asia whose more affluent economies, dense population and limited natural resources provide better opportunities for Australia.

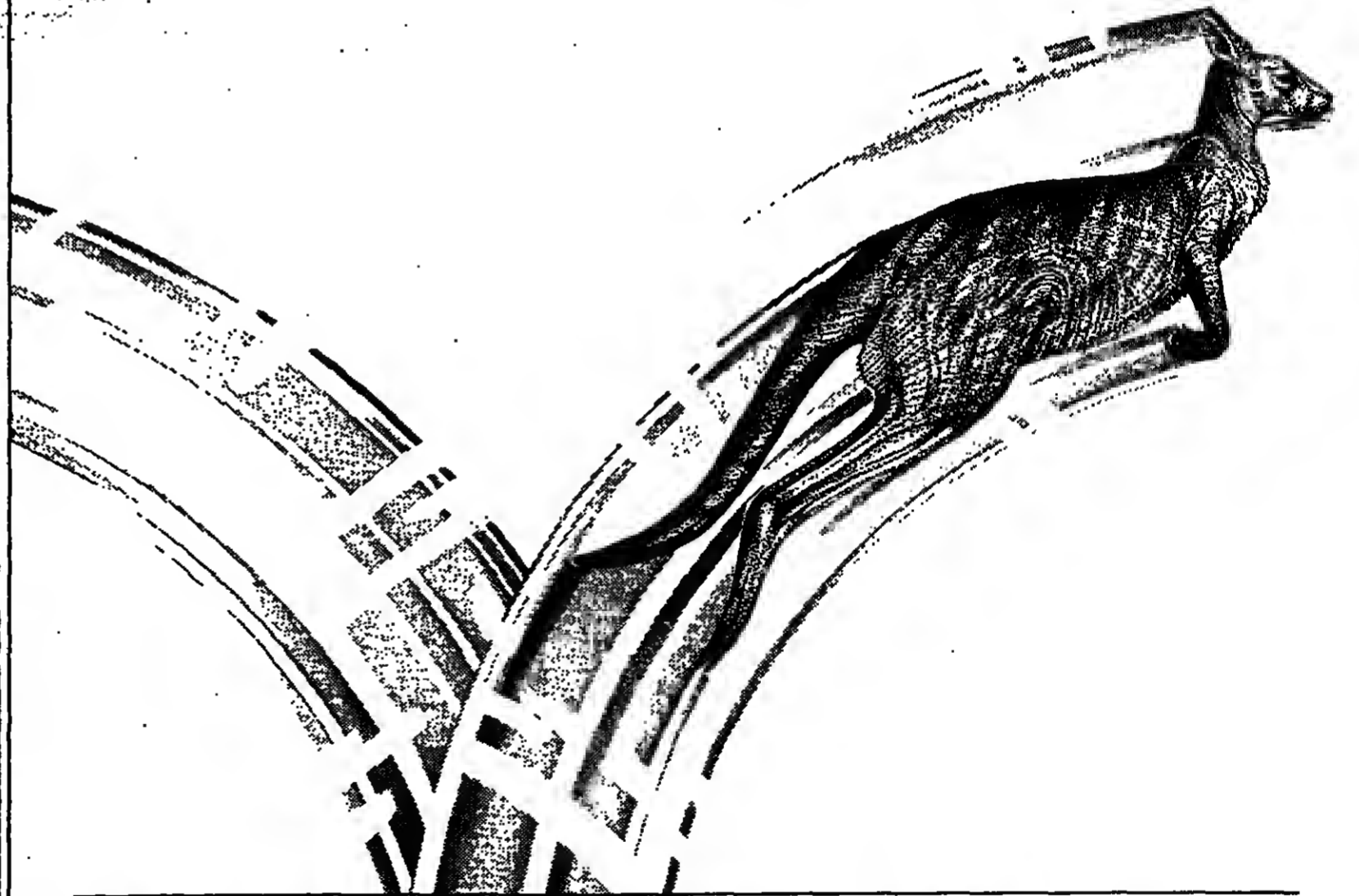
Targeting north-east Asian markets, whose future demands would be more of agricultural and industrial raw materials, would reduce the urgency of getting Australia's manufacturing act together quickly. But it would require greater efforts at making traditional exports even more competitive.

The problem for Australia is that the competitiveness of its traditional farm products will continue to be undermined by the flood of highly subsidised goods from the European Community. EPAC has thus recommended that Australia enlist its neighbours' support in future, multilateral negotiations, within Gatt and collectively demand reductions in the EEC's and the US export subsidies. At the same time, regional and bilateral negotiations are urged to focus on preferential trading in products in which each country in the region has comparative advantage.

Apart from improving the competitiveness of traditional commodities for greater export to north-east Asia, EPAC also calls for renewed promotion of services and certain middle-to-high-technology products and processes. It argued that Australia has proved to be a competitive supplier of certain tradable services, such as consultancy and contracting services, agricultural and medical technologies and educational services.

Emilia Tagaza

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Industrial Restructuring

Protective walls come down slowly

SENATOR John Button, the diminutive Minister for Industry, Technology and Commerce, is among Australian cabinet members with the greatest number of detractors in charge of re-designing the country's future industrial structure. He decides the fate of each industry, leaving in train a large number of enemies among employers, trade unions and even within his own Labor Party.

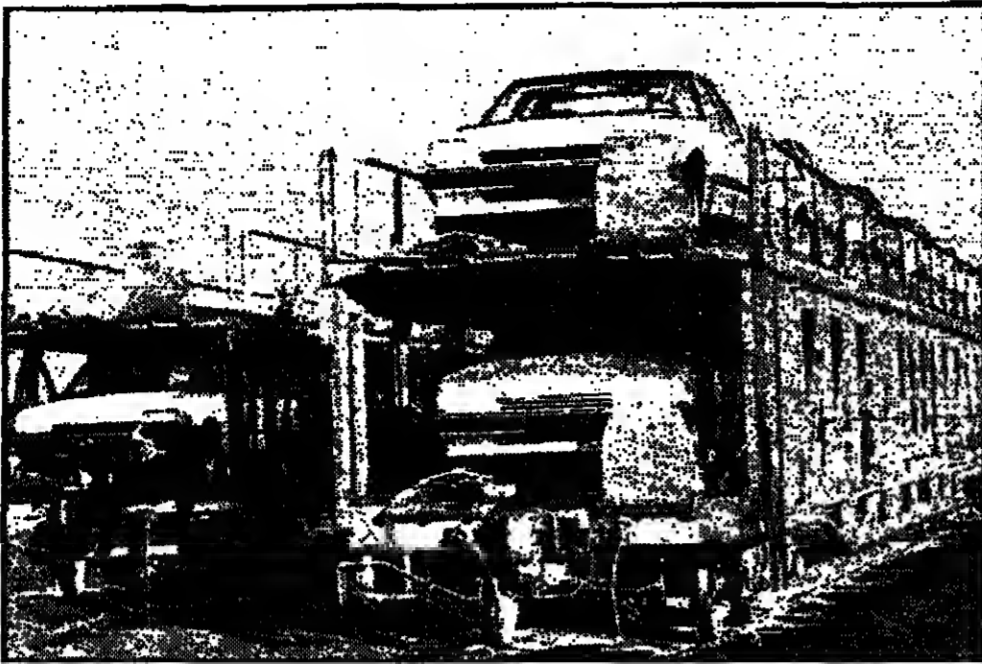
He envisages an outward-looking domestic industry, forced out of its lethargy by foreign competition. To achieve this he is gradually and cautiously withdrawing the Government's protective embrace which had propped up Australian industry since the start of this century.

Protective barriers such as tariff and quotas had up to the 1960s nurtured and indeed expanded Australia's industrial base. At the turn of the century, they helped to develop labour-intensive industries to accommodate large numbers of miners displaced by the end of the gold rush. After the Second World War, protectionism helped to develop import-substituting industries in the face of foreign exchange shortages, and to meet rising domestic demand.

But protectionism had also killed Australians' competitive spirit and by the 1970s when the domestic market could no longer support industry's growth ambitions, manufacturers were ill-equipped to exploit overseas markets, much less to defend the local market from the onslaught of aggressive traders from newly industrialising countries in the region.

From a peak of almost 30 per cent of GDP in the late 1960s manufacturing has declined to 20 per cent of GDP in the late 1970s and to just 18 per cent in the early 1980s.

Senator Button has found that



The car industry is one of the sectors protected by government aid. These cars are Ford Falcons and Telstars, on a train at the Ford works, Melbourne

unlike the Government's so far successful financial deregulation which was happily supported by the market players, deregulation of the industrial sector is a political minefield. Any attempt at reducing protection was notably protested by companies, but more so by powerful trade unions who feared widespread job losses. Opinion polls have also shown strong support for protection, and until this attitude changes the Government will warily move against protection.

The Government's gingerliness shows up in statistics. Despite moves at reducing import quotas and tariffs, total assistance to industries had actually increased slightly. The

effective rate of Government assistance—a measure of the extent to which industries' earnings are increased by assistance—increased from 23 per cent in 1977-78 to 25 per cent in 1982-83. This is due to the aid to highly protected sectors, namely the car, textile, clothing and footwear industries, whose assistance rates rose from an average 70 per cent to over 100 per cent.

But even not counting these highly favoured sectors, assistance to "freed-up" industries fell only slightly from 17 per cent in 1978-79 to 15 per cent in 1982-83.

Senator Button's modified tack in dismantling protection is designed to soften the stance

of uncompromising employers and unions. His latest assistance package for the heavy engineering industry introduced last month illustrates this.

Outright reduction of tariffs and quotas is no longer the front-line move. Instead, assistance is maintained or even increased, but industries' eligibility has been made conditional on an employer-union agreement in the removal of rigid labour practices and on skill upgrading and re-training. The abolition of restrictive union terms are meant to take away the employers' excuse that union intransigence had prevented them from introducing new equipment, production and management techniques. On the other hand, retraining is meant to assuage fears that innovations would dislocate workers.

The heavy engineering programme allocates A\$60m over three years for labour and management adjustments and for marketing assistance. An additional A\$25m-30m is expected to be approved for plant and equipment upgrading.

It is hoped that when the programme is well on its way to improving the engineering sector, protective walls could be further dismantled with little resistance.

Australian industry is being steered away from "one-off" products which had dominated its output together with railway rolling stock and fabricated structural steel products such as joists and girders. One-off products are made to clients' specifications and have little in-house design content. They are mostly labour-intensive goods that competitors from South Korea, Taiwan and Brazil produce more cheaply.

Acceptable types of offsets are the transfer of new technologies to Australian industry, the local production of parts of the equipment on order and Australian participation in the design and development of the equipment. So far the biggest suppliers under the offsets policy are the US, Britain, West Germany, Japan and France.

Another way in which Australia is trying to catch up with the West's advanced technology is through its industrial offsets policy, whereby foreign suppliers of all government contracts worth at least A\$2.5m are required to pass back part of the contract related work to Australian industry.

Emilia Tagaza



Senator John Button, Minister for Industry, Technology and Commerce, whose modified tack in dismantling protection is designed to soften the stance of uncompromising employers and unions

This uncompetitiveness had resulted in the erosion of Australia's share of the machinery market in the Association of Southeast Asian Nations (ASEAN) from 2.3 per cent in 1970 to less than one per cent in 1980.

The preferred direction is now towards medium- to high-technology products, and engineering projects with high design content packaged for export. Australians are urged to shed their sub-contracting mentality when bidding for overseas projects and instead form consortia and go for large projects as turnkey contractors.

There is so far one major accomplishment in this approach. A consortium led by Leighton Holdings and which also has British participation, last year won a US\$ 100m work from the Kowloon-Canton railway corporation of Hong Kong for the development of 34km of tramrail network in the Northern territories.

The inflexibility of labour and management are not the only reasons for Australians' having been left behind in the industrial race. It has also lagged in research and development (R&D) and this again has been blamed on companies' tendency to rely more on the government's protection than on innovation and risk-taking.

In 1981-82, only 21 per cent of R&D expenditure came from private business compared with the OECD median of 62 per cent. An International Monetary Fund report last year also ranked Australia 18th out of 28 countries in industrial efficiency and 22nd in the use of labour-saving technology.

Rather belatedly, private R&D spending is being stepped up. The new scheme grants for industrial research and development (GIRD) will start next month and allocates A\$12-13m in 1986-87 for new companies' high-technology projects.

GIRD complements the earlier 150 per cent tax concession scheme for eligible R & D projects of established firms. The tax scheme budgets A\$100m in 1986-87.

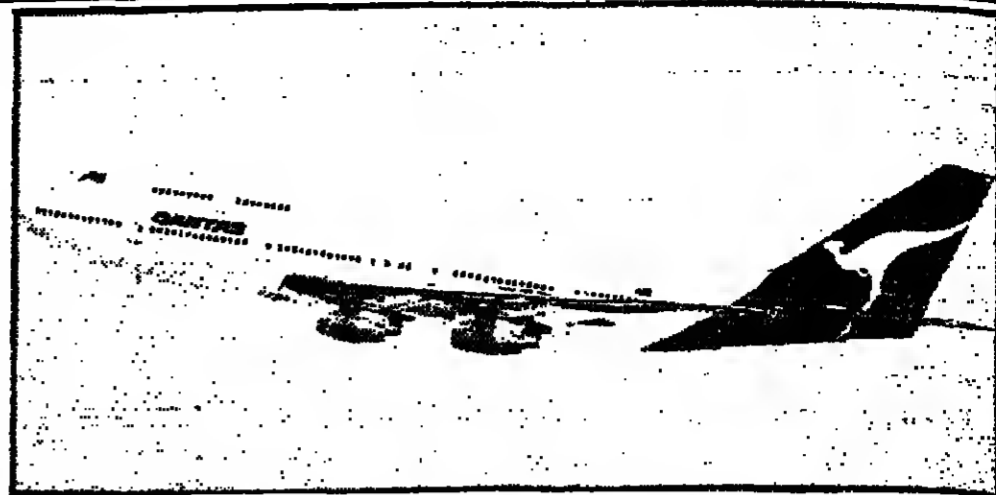
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Worldwide surveys in recent years put Qantas among the long-haul airline leaders

Qantas profit soars

AUSTRALIA'S FAMOUS flying kangaroo has lost its wings yet soars higher than ever. The symbol of Qantas has been redesigned as part of a major shift in marketing and corporate strategy which has seen the airline turning in strong profits at a time when other major intercontinental carriers are in financial crises.

It has not always been like this. Qantas had an international image as an Australian airline principally ferrying travel-hungry Australians around the world. Furthermore, it performed this national duty at a loss. In the four years to 1984, Qantas lost A\$123m on airline operations.

But during these years the senior management was being gradually replaced and a new and aggressive policy of going for the world was formulated. The livery was smartened up, the fleet updated and marketing funds switched from the domestic population to foreigners, particularly businessmen.

In 1984 the losses were transformed into a A\$38m pre-tax profit. This soared in 1985, artificially boosted by the proceeds of selling six super-jumbo Boeing 747s, but after discounting this, profits were up to A\$62m. These results show a better return on shareholder equity—the Government in the sole shareholder—than some of Australia's commercial giants such as Shell, BP, News Corp and Calix.

Although the full results for the year to March 1986 will not be published until later this year it is clear that Qantas is still firmly in the black although not at last year's record level. The dollar's rapid devaluation has hit the airline hard adding 20 per cent to fuel costs, increasing the cost of servicing its foreign debt and reducing the number of Australian tourists carried, by making foreign travel too expensive.

On the other hand, the drop in world oil prices helped towards the end of the financial year although this was offset by the cost of increasing staff and training in preparation for an expansion of flying now under way.

The people behind the Qantas renaissance are far removed from the public servants formerly in charge. Jim Leslie, the chairman, was coaxed out of retirement after a long and successful career with Mobil Oil. Next month John Menadue becomes his chief executive after an eclectic career embracing general manager at News Ltd, private secretary to Mr Gough Whitlam, former Prime Minister, special minister of state and trade and ambassador to Japan.

The deputy chief executive is Jobo Ward who pursued an academic career in computer science and applied mathematics before joining the airline. Since the late 1970s and early 80s we have been trying to get on top. We have higher wage levels and higher labour unit costs than our major competitors. So we had to set out during the 1980s to become super-efficient and to produce a product that could command the price premium necessary to cover these extra costs," Mr Ward said.

Qantas has also realised that national airline or not there is a limit to the amount of passenger growth which can be generated from Australia's small population. "We've cut back marketing here and thrown more money at it overseas where we had a relatively low profile. Our major growth will now come on inbound traffic from the Pacific Basin, North America and Japan and as the dollar devaluation starts to feed through we shall get more and more tourists coming in."

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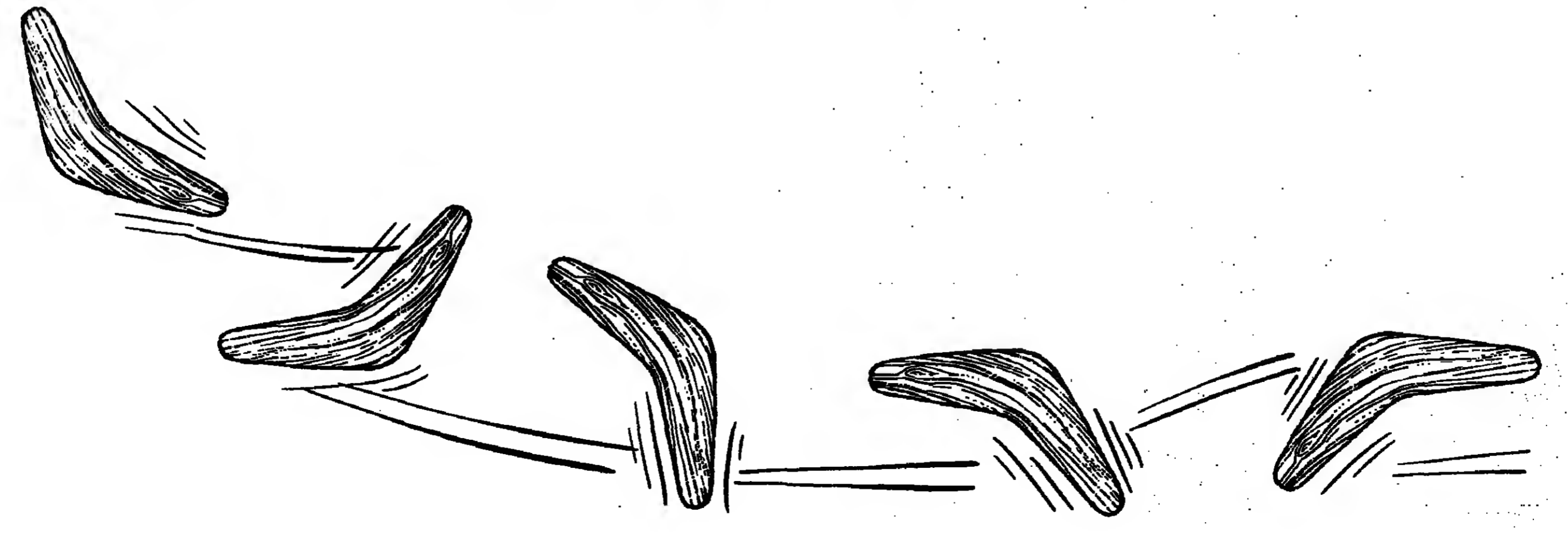
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Profile of Simon Crean, leader of the Australian Council of Trades Unions

By Robin Pauley
SIMON CREAN is about to become the most important man in Australia. As leader of the Australian Council of Trades Unions he is the key to the pay accord between government and workers which has kept the economic strategy afloat during increasingly stormy times.

The man who can scupper the pay accord

among increasingly restless unions may become untenable. Simon Crean, like Keating, is part of the new realpolitik generation within Australia's Labor Party although, unlike Keating who left school at 15, he has a wide educational background with economics and law degrees.

to climb the ACTU ladder until becoming president last September, having previously been junior and senior vice-president. He has been instrumental therefore in planning the two Accords during the Hawke government which have enabled government and unions to trade off deals with each other to keep pay rises down: in short to run a pay policy.

"The problem until 1983 (when Hawke was elected) and the problem still in the UK and New Zealand Labor parties is that close association with the unions has been seen as a liability. I have always believed that the relationship properly tapped can be turned to electoral advantage as well as social progress and that's what we've been doing."

superannuation changes—all social wage issues—being taken into account in terms of reducing the level of demand on money wages. Mr Crean firmly rejects the notion that Australia's high wage economy and rigid labour market is at the seat of the current economic difficulties.

not playing its part. And if the excuse is that it has no confidence in the trade union movement then I don't know what else we can do after three years of sticking to the accord. They're never going to have confidence if they haven't got it now. Their key problem is an inability to embrace tri-partism."

Mr Kenting shows every sign of wanting to back off from them. "The accord is not a series of concessions from unions. It is an agreement between two sides and both sides' bargains have to stick," Mr Crean said. His balancing act has already come under fire with some 30 radical unions complaining that the ACTU is too close to government strategy and graffiti such as "The Hawke-Crean Government—the best Liberal (ie conservative) Government yet" has appeared in the major cities.



Simon Crean says that if the superannuation scheme and tax cuts are not delivered the Accord is smashed

Button Car Plan

Reduction of models

AUSTRALIA, WITH a population no larger than that of New York State, has five car manufacturers struggling for survival in a market really only big enough to sustain a couple of them.

The answer, rather than let them fight it out against each other and against importers in the market place, is the Button Car Plan in the charge of Senator John Button, the Minister for Industry, Technology and Commerce.

It is an ambitious, centrally planned solution designed to reduce protection and install some sort of competitive order into the industry by 1992. But some recent developments indicate the plan may now be in jeopardy.

Australia's five car producers are AMC-Toyota, Ford, General Motors-Holden's Mitsubishi and Nissan. Between them they produced about 285,000 passenger cars in 1985 but the average model run was under 30,000 because they offer a total of 13 models between them.

But he's had it so good why would he want it any better?" Mr Dix asks. But dangers are looming for the plan. The sharp devaluation of the Australian dollar has had a sharp impact on the industry's financial planning, raising the costs of imported components and plant for new investment.

After a year of record sales in 1985 new car sales have plummeted this year, a fall exacerbated by high interest rates and higher prices caused both by devaluation and by the switch to unleaded petrol technology.

In addition, the Government plans a fringe benefits tax from July 1 but to avoid unpopularity with the citizens will impose the tax on employers rather than the beneficiary employees. The complex tax will penalise larger cars, ironically the only models with reasonable production runs — and as fleet sales account for 50 per cent of the market the impact through lost sales and model down-sizing could be substantial.

But a more fundamental but less marked difficulty is already arising from the plan. In the component sector the trend has been towards mergers and fewer suppliers with the result that there are now a string of sole suppliers, some of whom have raised prices with impunity. Repco bought Girling to become the sole brake parts supplier. Repco also bought the drive shaft sector of W. H. Wylie to become sole supplier of drive shafts. Borg Warner are the only suppliers of axles and transmissions. Bosch has the alternator and starter motor sector to itself and sole suppliers also control exhausts, steel, windows, flooring and upholstery.

The key to the plan will be whether manufacturers can come to agreement with each other, perhaps with the authority acting as marriage-breaker, for joint production arrangements. To keep a full range of models on offer to customers from a maximum six basic models will require a lot of "rebadging", renaming, cosmetic changes and differing engine configurations.

In spite of the unlikelihood of two American or Japanese makers willingly co-operating in a way which could breach their commercial confidentiality the Australian crisis is sharp enough to have them at least circling each other.

"I am busting to get a badged car but it is not easy. We are talking with Toyota and with Ford. We'll talk to Nissan too if necessary. Nothing has happened but we are still talking and trying. We are courting for anything—model, engine, anything goes," says Mr Graham Spurling, chief executive of Mitsubishi, one of the architects of the Car Plan and currently enjoying profits from the Magna, Car of the Year, after some rough years. "But we make no reasonable return on assets," he says. "There's nothing like that in the car industry. You'll have to go to Elliot and Holmes a Court for that."

Two companies that have made more progress are GM-H and Nissan who have reached joint agreement over production of an engine. "We haven't got an engine deal yet but we are talking and we are discussing with a couple of other manufacturers to see what possibility there is for sharing model lines but obviously I am not saying who they are," said Mr Bill Dix, managing director of Ford, more circumspectly than Mr Spurling.

Both agree that the plan is good in that it gives the industry time "to get its act together" without the disruption which would follow instant removal of all protection. But they disagree about what is in the plan for the customer. "A better and cheaper product through better competitiveness and productivity," says Mr Spurling. "Nothing,

Robbin Pauley

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Left: An iron ore train hauling from Mount Newman Mining. Above: John Kerin, Minister for Primary Industry, warning on falling standard of living.

Natural Resources

Coping with a buyer's market

Mined products, especially coal and oil, have replaced agriculture as the most important export sector but the outlook is sombre

AUSTRALIA'S MAJOR economic problem is its trading element of that is its natural resources sector.

When Mr Paul Keating, the Treasurer, spoke recently of the danger of Australia slipping into the status of a "banana republic", he was no doubt thinking of the difficulties of highly indebted countries whose foreign earnings derive mainly from a few primary commodities with little value added by technology or skills.

Of course Australia has historically earned its way to the world through primary exports, with agriculture being the largest foreign earner from the mid 19th century until about 1960.

In the last few years, however, the picture has been changing rapidly, partly because of the growing world surplus in agricultural produce and the fierce protectionism of the US and Europe. This has been worsened by large-scale dumping of subsidised surpluses in some of the markets which Australia might reasonably have hoped to develop.

As the relative importance of agriculture has declined, it has been replaced, not by high value merchandise of services, but by mineral exports, especially oil and coal.

Mined products including oil and gas now account for about half of Australia's exports. About three-quarters of these mineral exports are of bulky low value commodities (coal, bauxite, iron ore and manganese).

As a result the country's competitiveness in world markets depends crucially on shipping costs. For the time being the generally depressed state of the shipping market has worked to Australia's favour, even though its own trade union customs have reduced the advantages of low world freight rates in some cases.

Nevertheless, freight's high proportion of costs does mean that ships become heavily dependent on the Far East markets, particularly Japan.

Moreover, although Australia is blessed with some of the highest quality deposits of iron ore, coal and bauxite to the world, it is looking out on a world where potential supply is likely to exceed demand for several years.

Coal exports, which are now Australia's largest single export earner, are not only facing strong competition in many markets from South Africa and North America but also a general erosion of price as public utilities and companies threaten to switch over to burning cheap oil.

Because Australia is selling into commodity markets which are generally over-supplied, its prospects for increasing export volumes are not in general very great, although coal exports rose by nearly 15 per cent in 1984 to 76.4m tonnes, representing about a quarter of world exports. A steady growth of steaming coal exports seem likely until the end of the decade as the Queensland and New South Wales mines exploit their comparative advantage of wide mechanised seams and large open cut operations.

The general picture, however, is subdued since the outlook for base metals continues to be weak, partly because of the slower growth of debt-ridden developing economies, and

partly because metals consumption has gradually become less important in relation to the growth of the developed world. Aluminium, which enjoyed rapid world growth until the time of the first oil shock in 1973, has suffered from a depressed market since. In spite of some revival in demand recently, there is little optimism that growth will recover anything like its former momentum.

Therefore, as the developed world economy has moved into services and the exploitation of computers and information technologies, Australia's net exports have moved markedly towards energy and energy-related commodities.

This reflects, not just the increase in coal production but the rise in oil output and the decision of the Commonwealth governments in 1983 to allow exports of oil for the first time. However the period of oil self-sufficiency is destined to be short. Australia's oil production is likely to decline, quite fast for the rest of this century, particularly if a depressed oil price continues to curb exploration budgets. As a result, Australia will soon become a substantial net importer of oil again.

These generally adverse factors would matter less if Australia's and their trade unions had not become used to a generally rising standard of living, with the assumption until the recent accord between the government and unions, that wages would rise by at least the rate of inflation plus a bit more.

Now, Mr John Kerin, the Minister for Primary Industry says: "Our standard of living is going to go down: it is all a buyer's market in commodities and we do not have the population to get into manufacturing industry in big way. Attitudes have got to change."

However, Mr Kerin says it is very difficult to make firm decisions and to make them stick, perhaps a reference to the Government's difficulties in convincing some parts of the trade union movement of the need for a more flexible approach, and perhaps also to the Commonwealth Government's acute difficulty in agreeing a better apportionment of mineral taxes with the state government.

For the mining industry, the harsher world environment after a long post-war period of rising prices has led to a sharp readjustment with improved working practices and in some sectors a renewed effort to modernise.

Dr Ian Storey, mining analyst for the Sydney broker Meeres and Phillips says: "The industry has responded to difficult times by cutting costs, increasing pro-

ductivity, making technological innovations and developing a greater awareness of the need to market competitively.

Australia has a slim margin for more efficient industry better fitted to tackle a new competitive resource market."

Nevertheless, the mining and energy sectors are labouring with an out-dated top-heavy government taxes and restriction which cannot but retard their progress on world markets.

The Commonwealth Government has declared its general support for moving away from taxes on production towards taxes on profits, and in the oil sector has made limited moves in this direction.

However, as the Paris-based International Energy Agency points out in its latest report on Australia, much remains to be done. Restrictions on exports of coal and other commodities (including some agricultural products) can only penalise the more efficient producers as well as creating a cumbersome administrative layer.

As the IEA says of export controls on coal: "Prices to which producers agree should not need to be second-guessed unless they result in the coal sector, grossly unequal bargaining power, or other market failure."

"Policies which inhibit the longer term efficient and competitive operation of the coal market, whether by producing or consuming countries, should be avoided."

The IEA castigates the system by which the Commonwealth Government sets crude oil prices, even though its Import Parity Price does reflect world prices and currency movements. The Agency is also harsh on the subject of the premium prices charged by the Queensland and New South Wales Governments for the rail freight of coal to the ports.

It says that although these very high rates have been somewhat reduced they still "seem to be an unfair means of royalty collection in that they are established on a volume basis instead of a profit basis." It says this acts as a disincentive to companies with good economic performance and those increasing their productivity.

However to get rid of these excessive charges is easier said than done. The states have become dependent on these revenues, while the Commonwealth Government, with budgetary problems of its own has no cash to spare. Besides, as one Labor politician was heard to remark: "When will the mining bosses vote for us?"

Max Wilkinson
Resources Editor

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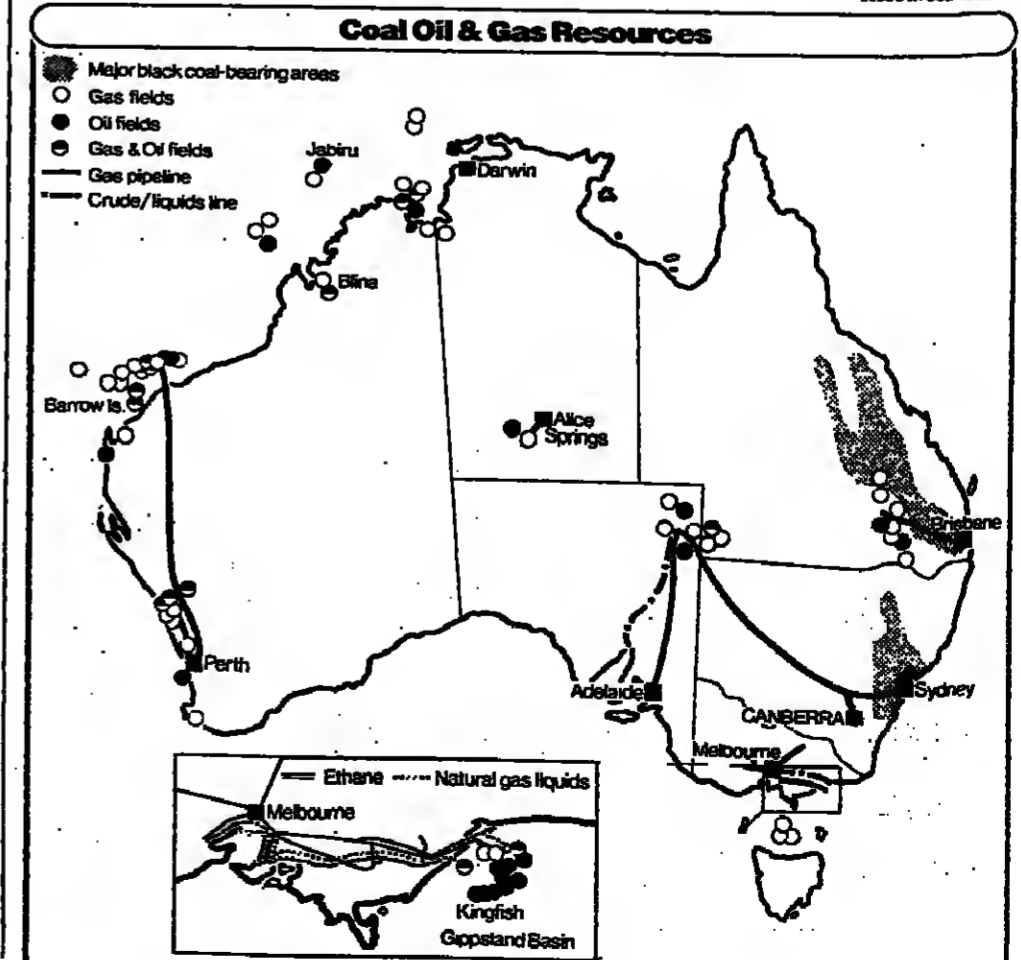
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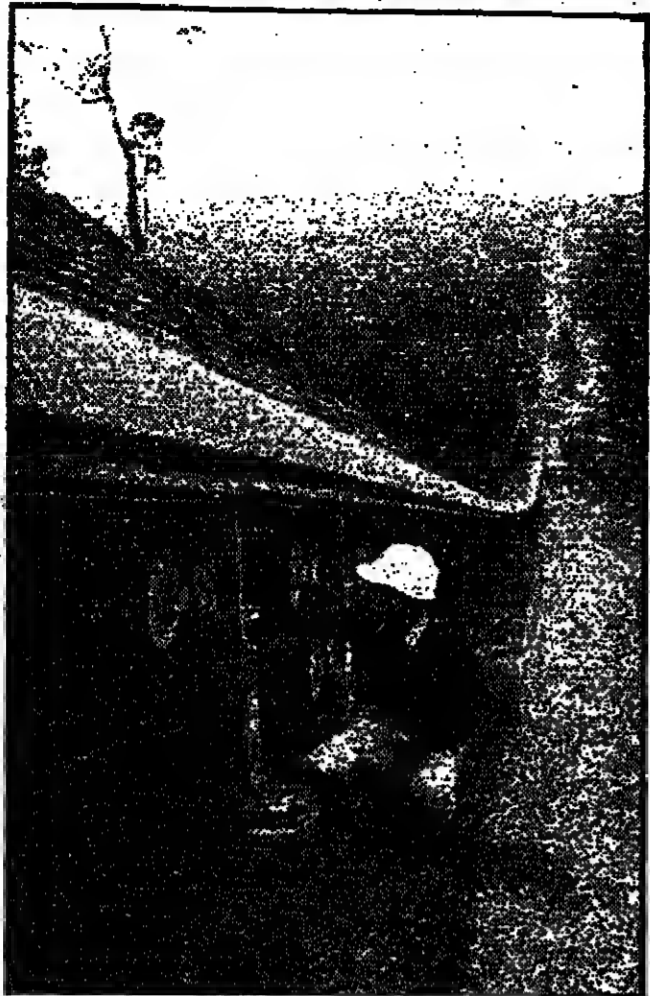
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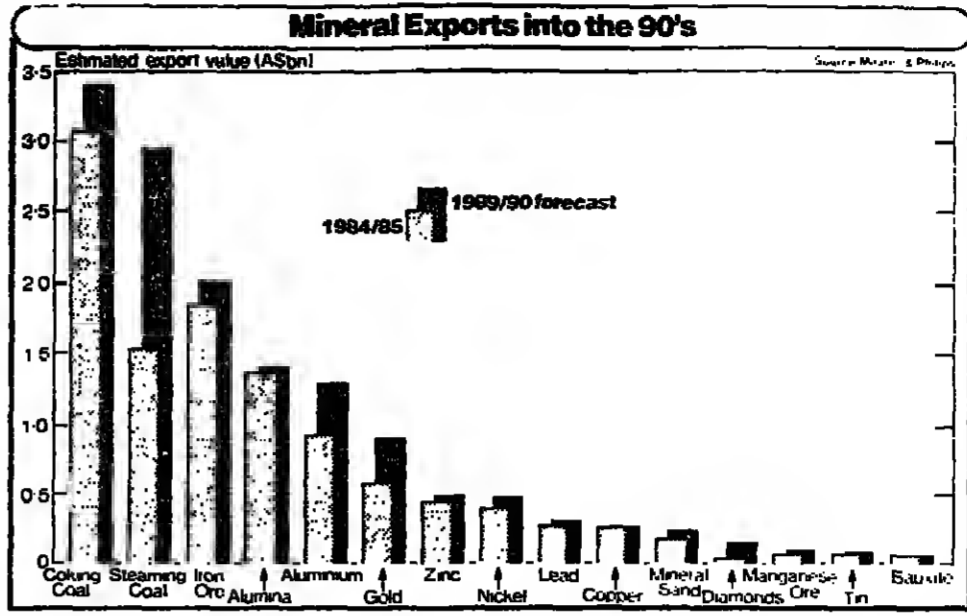
Worsley Alumina's overland conveyor is 51km long and links the mine, near Boddington, with the refinery near Collie, Western Australia

Technology puts new life into the mines

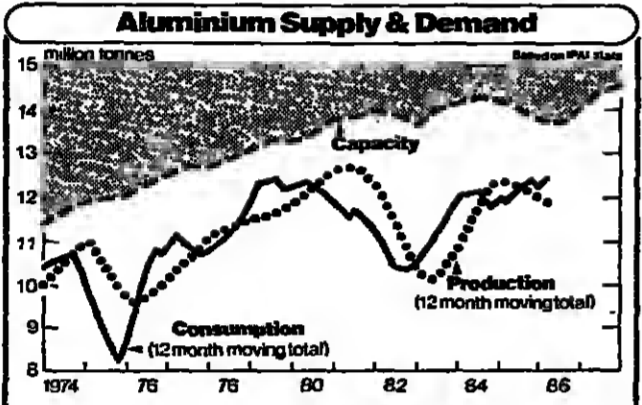
Gold

THE AUSTRALIAN gold rush of the 1980s has resulted from a remarkable grafting of new technology onto the pioneering efforts of the 1930s. Heroic tales of men tramping across the desert, desperate shortages of food and water ending all too often in dusty death are part of the folklore of Western Australia. But the old spirit of adventure and discovery has revived strongly, with a new style of entrepreneurs and small companies jostling with the giants in the search for gold. The result is that Australian gold output is now the highest that it has been since 1915 and rising fast, although it is still little more than half the record of 119 tonnes achieved in 1933. There has also been a surge of interest in the names made famous in Australian history as old workings are revived by modern mining techniques. When Paddy Hannan and Tom Plassagan made their first find on June 14 1983 in Kalgoolie's fabled "golden mile," on the dusty rim of the Nullabor desert, they could scarcely have dreamed that it would still be bursting with activity almost a century later. Nor would the old miners in nearby Mount Charlotte have foreseen that a new shaft would be driven more than a kilometre deep to extend the life of the mine from 1985 onwards. Kalgoolie Mining Associates' Mount Charlotte project and a host of smaller operations ranging to some which are tiny by

modern mining standards have all been helped by the 20 per cent depreciation of the Australian dollar, which pushed the price of gold up to A\$450 to A\$500 per ounce. Total production costs are estimated to range from as little as A\$200 or less to about A\$370. This allows goldminers to make respectable profits which, by a rather strange Australian tradition, are exempt from corporation tax. Although the Labor Government said last summer that it was thinking about bringing gold profits into the corporation tax net, it appears to have backed off for the time being at least. The Federal government desperately needs more cash, particularly after the collapse of its oil revenues, but it may also be impressed by the argument that gold mining is thriving and providing more jobs, precisely because it is not taxed. Certainly the results have been impressive. More than 60 companies are now engaged in goldmining in Australia. Gold exports in 1985, at 51 tonnes were more than five times their level three years earlier. Production doubled in the period to 57 tonnes and is still rising fast. According to the Australian Bureau of Mineral Resources, about 40 per cent of the amount spent on minerals exploration, excluding oil, was allocated to the search for gold. Its latest report says that

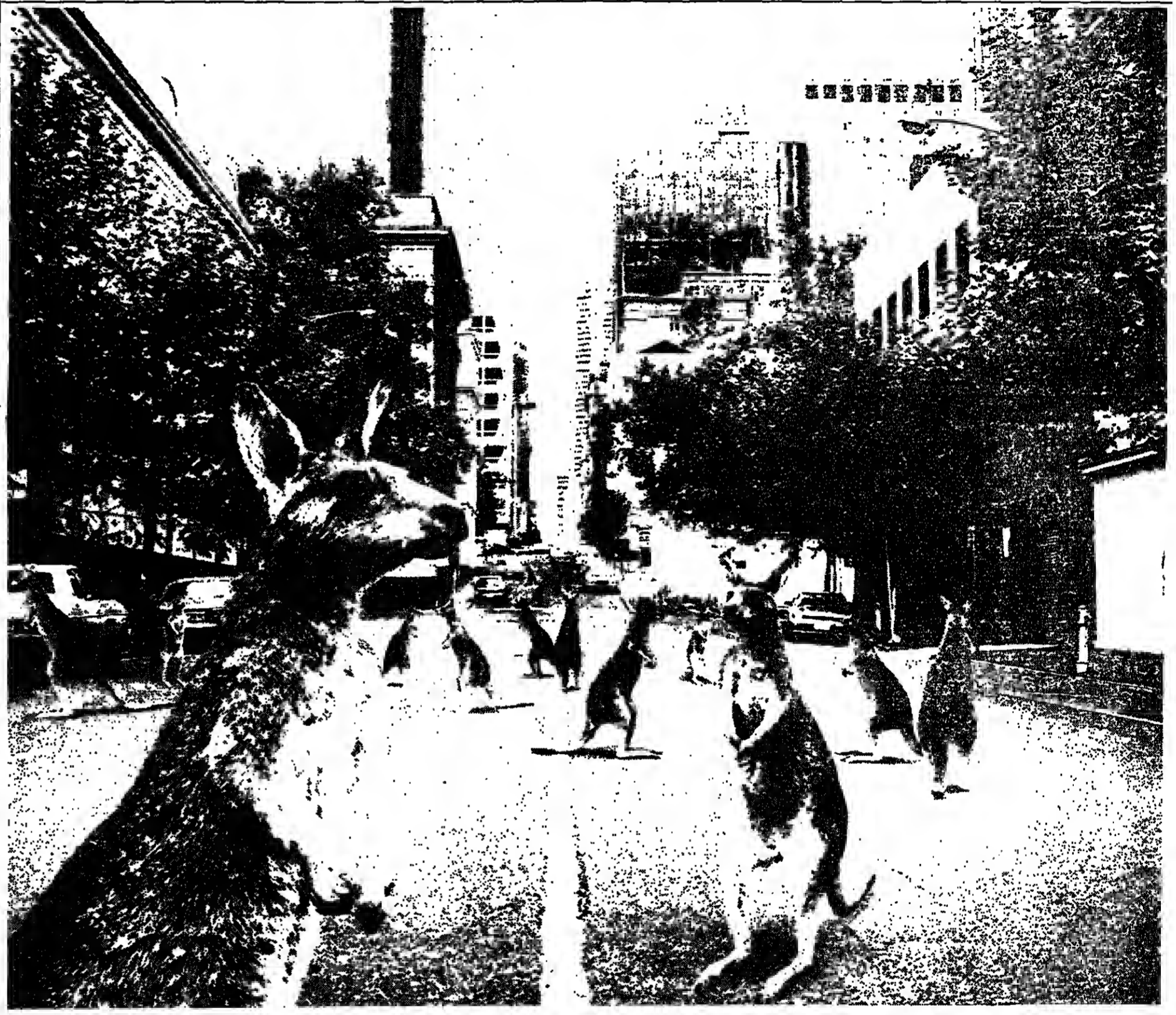


mining: the sort of people in it are dedicated and enthusiastic. This enthusiasm has been based largely on a number of technological developments which have helped to bring a substantial reduction in the cost of producing gold for large and small operators alike. As a result, much lower grade ores can be exploited profitably. Many old mines have been re-opened and many smaller operators have been able to re-process the tailings left behind by a past generation of miners. The most obvious improvement has been the steady increase in capacity and efficiency of earth-moving machinery. This enabled open cut methods to be used for many deposits. The other major developments have been in the treatment of ores by new processes including the carbon pulp method, which has sharply reduced costs. At the other end of the business, gold miners are relieved of the increasing difficulties facing other minerals producers of marketing their output. As one mining executive remarked: "When you have refined gold, all you have to do is put it in a sack and take it along to the bank"—almost. And for the time being at least there are no government officials lying wait to pull their scoop in the swag. Max Wilkinson



Aluminium Tough times for the big three

AUSTRALIAN ALUMINIUM producers are bracing themselves to live with depressed metal prices and sluggish growth of around 1.2 per cent a year in the foreseeable future. As with most of the world aluminium industry, times are tough for the three big Australian producers, Comalco, Alcoa and Alcan. After reporting a A\$60m loss in 1985, Comalco made a modest profit for the first quarter of this year, and, provided metal prices maintain recent gains, the company should make a profit in 1986. The devaluation of the Australian dollar helped Alcoa of Australia, owned 51 per cent by Alcoa of the US, to make a profit of A\$44.6m for 1985. But in spite of better metal prices, Alcoa's earnings for the first quarter of 1986 were down 90 per cent on the same quarter last year. The profit of A\$705,000 represented a mere 0.1 per cent annualised return on total assets, a level which the Alcoa board justifiably described as "completely unsatisfactory". Alcan, 70 per cent owned by Alcan of Canada, made a A\$16.2m profit in 1985, but according to the company, the return on investment was "abysmal". All three companies have concentrated on cutting costs and improving productivity. It's a far cry from the early 1980s, when Australia perceived "a window of opportunity" for massive expansion into aluminium smelting. The oil shock of the late 1970s saw electricity prices escalate all over the world. Japan decided to close about 1m tonnes of smelting capacity, and cuts were expected in the US. At the same time, there were bullish forecasts for economic growth throughout the world. So Australia, with its huge bauxite supplies and abundant steaming coal for power generation, made rapid expansion into aluminium smelting. In the heady optimism of the early 1980s, nine new aluminium smelter projects were mooted which would have taken the country's smelting capacity to 2.8m tonnes. In the event, however, the sharp world economic downturn meant that only three new projects actually went ahead. The CSR-Pechiney joint-venture Tomago smelter, in the New South Wales Hunter Valley, came on-stream with 230,000 tonnes in 1983. Alcoa's Portland smelter, in Victoria, is due to come on-stream in September with 300,000 tonnes of capacity; and Alcan's Kurri Kurri smelter, in New South Wales, has just opened its third polline, increasing output by 55,000 tonnes to around 150,000 tonnes a year. According to the Bureau of Mineral Resources (BMR), aluminium production in Australia rose 12 per cent in 1985 to 851,236 tonnes. Operating rates were at capacity. Aluminium exports rose by 38 per cent compared with 1984. The BMR expects Australian aluminium production to increase by 1.6 per cent to 865,000 tonnes this year, with further increases in 1987 as Alcan's newly-expanded Kurri Kurri smelter reaches capacity and Alcoa's Portland smelter is progressively commissioned. Bauxite production rose by 0.7 per cent to 32.4m tonnes, about 5m tonnes of which was exported. Australian produces around 42 per cent of the non-communist world's supply of bauxite. Alumina production remained about the same as in 1984 at 7.2m tonnes—about 36 per cent of the non-communist world's production. Gross export income from bauxite, alumina and aluminium is estimated by the BMR at over A\$2.5bn in 1985, around 23 per cent up on 1984. Stocks of aluminium at smelters and fabricating plants in Australia and New Zealand were between 210,000 and 250,000 for most of last year, according to the International Primary Aluminium Institute. This was higher than in 1984. Comalco's General Manager Business Systems, Mr. Terry McDonald, says that undoubtedly the major problem confronting the aluminium industry worldwide is the substantial excess capacity overhanging the market. Price increases are likely to draw this capacity back into production with consequent further downward pressure on prices. At the same time, demand for aluminium, which grew by an average of 10-11 per cent a year between 1980 and 1985, is not expected to increase by more than 1-2 per cent a year over the next ten years. The material intensity of Western economies is declining, with most growth coming from service industries not engineering and manufacturing. The less developed nations, which could boost demand for metals, are constrained by their heavy debt burdens. Lower oil prices have meant more competition for aluminium from plastics and could attract some oil-fired smelting capacity back into production. However, the lower oil prices should ease the poorer countries' debt burden. Cheaper fuel could also lead to cheaper freight rates, so important element for Australia which is so far from its markets. Australia still has a comparative advantage in cheap alumina and comparatively cheap power. Also, much of its smelting capacity is very modern and efficient. On the negative side, Australia's competitive position is being eroded by an inflation rate of nearly 8 per cent, more than twice the OECD average. Australian producers have voiced concern over the country's inflexible wage-fixing scheme and high company tax regime. Patricia Newby



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Oil

Hoping for better times

"THE IMMEDIATE problem is to avoid panic." Thus Mr Reg Sprigg, one of the wise men of the Australian oil industry, tried to reassure fellow oilmen at the recent conference of the Australian Petroleum Exploration Association in Adelaide.

In his address as emeritus chairman of the association, he urged those companies which could take a longer view to keep up the search for oil in the knowledge that better times would surely come.

It was an exhortation which the federal government might fervently second. For the third oil shock—which halved oil prices in only a few months—has come at a peculiarly awkward time for Australia.

Its big deposit of comparatively cheap oil—in the Gippsland basin of the Bass Strait—is now reaching peak production from which a steady decline is likely. Consequently, Australia's dream of becoming self-sufficient in oil will soon fade unless new discoveries are made.

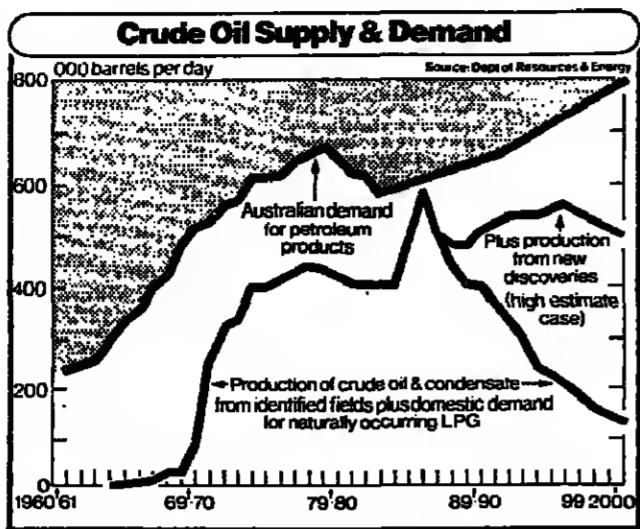
But the prospects for new oil finds are rapidly clouding over. Esso and Broken Hill Proprietary (BHP) have shelved A\$1bn their A\$1.5bn exploration project in the Bass Strait. Exploration programmes in the continental shelf off the North West coast and in the Timor Sea must now be called into question, while the onshore programmes of a large number of smaller companies inevitably will be starved of cash.

Mr Keith Orchard, executive director of the APEA, estimates that of the A\$836m which Australia's 92 exploration companies planned to spend this year, only A\$450m is left in the budget. Some 4,000 jobs in the industry are in jeopardy, and of the 45 onshore rigs only 13 are now working, compared with 24 a year ago.

The federal government has said in its Review of National Energy Policy, published in March, that Australia would need to drill about 230 exploration wells a year to find reserves equal to each year's consumption of crude (about 200m barrels) and so maintain reserves at the present level.

Until the collapse of the oil price it looked as if this ambition might be achieved. Last year 225 onshore wells were drilled—slightly more than in 1984—while 135 offshore exploration wells were sunk in the last three years.

This vigorous programme, at a time when oil prices were generally expected to remain at



least above US\$20, led many exploration companies in Australia, as elsewhere, to increase their debts substantially. About a third of all their financing came from foreign investment, with some companies borrowing heavily in US dollars.

The depreciation of the Australian dollar has increased the burden of those debts for companies which were expecting to service them mainly or partly from domestic earnings.

One analyst has estimated that, as a result, perhaps a third of Australia's exploration companies will be vulnerable to takeover within the next 12 months.

Whether or not this prediction is fulfilled, it is already clear that the federal government's longstanding policy of promoting the interests of Australian companies will come under increasing strain if the oil price remains near the levels reached this spring.

Under present policy, licences are awarded only to ventures which have at least 50 per cent Australian participation. Although this rule had to be relaxed for projects off the North West coast because of enormous capital costs, it has generally favoured the growth of small to medium-sized companies.

But now, it looks as if all but the large international companies and the diversified groups like BHP will be highly vulnerable in the gathering storm.

As oil companies become used to the idea of much lower

prices, attention has focused on the prospects of finding substantial new oil and gas reserves and the likely costs. In spite of the fact that very large parts of Australia are still little explored, opinion has grown that oil may not be as abundant as was once hoped and that it will be relatively expensive to produce.

Since the major discoveries in the Bass Strait, starting with the Kingfish and Hallibut fields in 1967, no new oilfield which ranks as large on a world scale has been found. A large number of wells in the Cooper and Eromanga basins in South Australia and Queensland have yielded useful but small quantities of oil, much of it in hostile environments.

Off the central West coast at Barrow Island, oil has been flowing since 1967 and is currently being produced at 20,000 barrels a day. More recently, the discoveries of oil at Jabiru and Chalice in the Timor Sea raised hopes that a major new oilfield might be added to Australia's reserves. However, the most recent assessment is that in comparison to the Gippsland fields they are both relatively small.

The major finds since Gippsland have been gas, particularly off the North West Coast. However, much of Australia's gas is remote from the centres of population in the South East.

This has brought the need for heavy capital expenditure on pipelines and in the case of the North West Shelf project, an expensive Liquefied Natural Gas plant solely to supply Japan. Woodside Petroleum, now

jointly controlled by BHP and Shell, says that the first phase of this LNG plant will certainly continue to go ahead in spite of the bleak outlook for prices.

Decisions on the second phase and on another LNG plant to be operated by Elf Aquitaine near Darwin do not have to be taken for several years by which time everyone is hoping prices will have become firmer again.

In the much longer term when oil again becomes scarce, Australia can look forward to exploiting its estimated 24bn barrels of shale oil deposits and to making oil from its abundant reserves of coal. But that future has suddenly begun to seem remote.

The Government's more immediate problem is how to restructure a tax system which has made it clear that the Commonwealth Government would like to move to a resources rent royalty which specifically taxes "excess" profits, rather than the present system of excise and royalties which effectively tax turnover.

A resources rent royalty has been instituted for the Barrow Island field. However, a more general introduction of the system will require extremely difficult negotiations with state governments about their relative share of the tax take.

In other respects the Government has already conceded ground towards a freer market in oil products by lifting the former ban on oil exports and by ensuring that the administered oil price (the import parity price) moves fairly closely in line with the currency market and world oil prices.

In a period when prices seem likely to be volatile and competition extremely keen, it is also likely that the Government will be forced to dismantle the remaining barriers to a free market if its oil sector is to thrive. This may well hurt some of the smaller companies. But in a country with huge distances, a harsh environment and a relatively small population, small companies could expect to do well only at a time of high prices.

That is a problem which the Government will have to learn to live with.

Max Wilkinson



Blair Athol Coal company's open pit operations

Coal

Freight charges hamper exports

WHY SHOULD a country near the top of the league of debtor nations levy a special tax on its most important exports?

It is a question which the coal producers of Australia have been asking more and more loudly as the sharp drop in world energy prices begins to move market conditions against them.

The answer is that the tax is an historical anomaly, now hard to defend, but like all taxes, difficult to reverse. The export duty, which applies to only one type of coal, is not the most onerous of all the taxes and imposts levied on the industry, since it accounts for less than 2 per cent turnover, but it is perhaps the most glaring example of the industry's complacency.

In spite of the help given by a 20 per cent depreciation of the Australian dollar, about 40 per cent of Australian coal producers failed to make after tax profits last year. Many had substantially under-used capacity, and all were struggling to maintain their share of a world market in which there was substantial over-supply.

Nevertheless, Australia remains one of the most efficient producers of coal in the world and the largest exporter. In 1984-85 the country's coal exports reached a record 93m tonnes or about 70 per cent of the industry's saleable coal production, valued at more than A\$4.6bn (US\$3.2bn).

The Australian Mining Industry Council estimates that the basic cost of mining coal in Australia is about equal to that in South Africa, which has the lowest costs among the major exporters. However the balance is tipped decisively in South Africa's favour as a result of the much higher freight and port charges levied in Australia, which are equal to about a sixth of basic mining costs.

The rail freight charge in Queensland is more than five times the cost of bulk haulage in privately-owned railways in Western Australia and more than three times freight rates in South Africa for equivalent distances.

The freight charge is therefore claimed by the industry to include a tax in addition to the export duty, corporation tax, excise tax, research levy, royalties and payroll taxes, which

have contributed to the depressed after tax profit record of recent years.

As Mr G. D. Lill, marketing manager of the Utah Development Company says: "We are operating large-scale mines which are efficient by world standards, but high state and federal government charges means that only a proportion of the Australian coal industry can compete on a world wide basis."

Last year, the Australian Coal Association says that total payments to state and federal governments rose by 27 per cent. This was somewhat less than the total increase in sales revenues, but considerably more the 17 per cent rise in total production.

The main reasons for the sharp rise in turnover was that some large new mines started production while the depreciation of the currency boosted revenues in terms of the Australian dollar.

Although this was partly offset by higher interest payments on foreign borrowings, the industry's average net profit rose by 82 per cent in 1985 to A\$354m. This large percentage rise was from a depressed level however.

The average profit represented an after tax return on funds employed of less than 8 per cent and not enough to encourage an increase in investment. New investment in 1984-85 was 18 per cent lower than in the previous year and 60 per cent below the 1983-84 level.

The general picture, therefore is of some improvement in volume and profits for an industry which remains under very strong international constraints.

The market for steaming coal for power stations seems unlikely to grow much in the next few years, and might even contract somewhat if oil prices remained depressed for long enough to encourage industrial companies and utilities to switch from coal to oil. In Japan, which is Australia's major market, a large switch does not seem likely, but the threatened competition from oil has greatly strengthened the hand of the buyers in current price negotiations.

The market for metallurgical grades of coal, which account for 57 per cent of Australian

coal exports could pick up somewhat if lower oil prices stimulate the world economy and so increase the demand for steel. However this has not happened yet, and the world has substantial excess supply and prices remain highly competitive.

The industry, therefore has only one way to go: it must continue the struggle to reduce costs and to expand its share of a fairly static market.

Increased production would bring the double benefit of larger revenues and significantly lower costs. Costs in open cut mines, which now produce 54 per cent of Australian coal compares with 61 per cent in 1980-81, are particularly sensitive to rates of output because of the higher capital costs involved.

A recent study by Longworth and McKenzie for the Australian Coal Consultative Council estimated that potential export capacity is now about 100m tonnes a year or about a third more than the actual level of exports achieved in March 1985.

This study suggested that substantial reductions in costs per tonne could be achieved if the industry were operating at full capacity and that the cost of working at less than full output was about A\$97m for the industry as a whole or about 2 per cent of the overall cost of production.

The study also pointed out that coal producers would maximise their profits by increasing sales volume provided that prices obtained were greater than the cost of production, capital replacement and breakeven charges.

This point was put forcibly by Mr Lill who pointed out that a A\$1 price cut would cost the industry A\$55m in a full year, but the gain from 15 to 20m tonnes a year of extra sales could be about 10 times that amount.

There seems little doubt that if profitable markets were available the Australian coal industry could quite quickly expand to a significantly above its present theoretical maximum. The Coal Consultative Council's National Research Group has estimated that exports will reach 113m tonnes by 1990.

However the industry has been inhibited in the past from

pursuing exports with aggressive price cuts by Federal government restrictions on export marketing. Under present rules, exports are only permitted if the price is approved by government agencies.

The larger companies complain that this inhibits flexible marketing and destroys confidentiality in bargaining. Export controls were set up essentially to protect the less efficient Australian producers against the market purchasing power of Japan. However, officials acknowledge that the system makes less sense in a falling and diverse world market. They claim that the system is being operated so flexibly that export permits are hardly ever denied.

However one coal company executive said the export restrictions resulted in the loss of about \$1bn worth of sales last year.

Whoever is right, the case for relaxing the controls must now be very weak, and it appears that the more liberal wing of the Government would like to abolish them. However there is still a strong emotional attachment to controls within the trade union movement among those who believe world prices can be influenced by government action.

The easing of government restrictions, cost cutting and perhaps a lower tax burden may all help the Australian coal industry to expand its market, but they will be of little avail if customers' confidence is sapped by the spectacle of bitter strikes.

The tougher world market appears to have helped to improve the industrial relations record substantially in recent years. The number of manlifts lost through industrial action in 1984-85 was 246,000, only about half the loss in 1981-82.

But a long and damaging coal strike in Queensland this spring was a bad setback to the image of the industry and led to claims that valuable contracts were at risk. Because coal stocks were high, it seems that supplies to customers were scarcely disrupted. However, stocks were high only because the industry been operating at well below full capacity for some time.

That is the problem.

Max Wilkinson

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Agriculture

Farmers market their message of a rural crisis

LAST YEAR Australian farmers dumped wheat on the steps of Parliament House and staged tractor blockades around Canberra to draw public and political attention to the dire state of the rural economy.

This year's methods of publicising the "rural crisis" are much more sophisticated. No more flocks of sheep will be driven through the heart of Melbourne (population 2.9m). Instead, the farmers' message will be marketed within Australia through an advertising campaign, and overseas through the likely establishment of permanent representation in Europe.

Farmers are also establishing a fighting fund to give them political, economic and industrial clout.

Mr Ian McLachlan, president of the National Farmers Federation (NFF) made a rallying call at the NFF annual meeting last month for farmers to try to improve their lot on the international scene, within Australia and back on the farm.

Mr McLachlan, a 46-year-old wool grower from Adelaide, is the articulate, persuasive spearhead of a movement which has become known over the past 12 months as the "rural revolt". Australia's normally reticent

and laconic farmers have found their voice in Mr McLachlan, the consummate agri or agro ("depends on my mood") politician.

He believes that farmers must contribute to the world trade debate, and continue to hammer the big trading blocs like the European Community, the US and Japan over agricultural protectionism and subsidised production.

At home, the farm lobby is one of the most effective voices in calling for lower inflation, more labour market flexibility, reduced taxation, and the scaling down of protective tariffs on manufactured goods.

Under NFF auspices, an A\$20m "multi-media awareness campaign" with the slogan, "you can't take the country out of the COUNTRY" kicks off in July. It aims to improve the perception among city-dwellers of the role and importance of agriculture.

The campaign finance comes from sponsorship from businesses and banks whose products and services will be featured in the advertisements. Farmers will not pay a cent.

It may be surprising to people outside Australia that farmers have to sell their message to their own countrymen.

However, in spite of Australia's dependence on rural sector exports, only 376,000 people or 6 per cent of the workforce is directly engaged in agriculture (although this number troubles if you count jobs indirectly dependent on rural industry). About 85 per cent of Australians live in cities and most know next to nothing about farming and world commodity prices.

The total value of rural production for 1985-86 was A\$15.3bn. This represents about 6 per cent of gross domestic product, but farm exports accounted for 49 per cent of total export income. (Mining accounts for 40 per cent and manufactured goods 20 per cent of export income.)

Australian farmers are being squeezed in a pincer of low world commodity prices and high domestic costs. The slump in export commodity prices (including minerals) which has contributed to Australia's disastrous "balance of payments" deficit is beginning to focus city attention on the farmers' demands.

According to Treasurer Paul Keating, commodity export prices are as low in real terms as at any time since the 1930s depression.

The main rural exports are wool (A\$2.3bn), wheat (A\$2.3bn), beef (A\$1.3bn), sugar (A\$750m), sheep meat (A\$400m), dairy products (A\$380m), cotton A\$255m.

The "farm crisis" is evident in Bureau of Agricultural Economics (BAE) figures which has forecast an 18 per cent decline in the net real value of agricultural production in the 1986-87 financial year which begins on July 1, on top of a 31 per cent fall in the current financial year.

The net real value of agricultural production this year will be the second lowest on record after the disastrous drought year of 1982-83.

The BAE estimates that average incomes on family farms fell by 68 per cent and some 35 per cent of Australian farms had negative incomes this year.

Around 12,000 of Australia's 174,000 farms are considered by the BAE "at risk" from bankruptcy.

The Australian Government has acknowledged the rural crisis with its April White Paper entitled Economic and Rural Policy. In the most comprehensive statement on the rural economy ever put to Parliament, the primary industry minister, Mr John Kerin, said that Australia could not afford subsidies on the scale of the EC and the US.

However he did announce a package of rural assistance measures including subsidised interest rates, removal of tariffs on farm machinery, lower diesel fuel prices and review of transport and handling methods with a view to increased efficiency and lower off-farm costs.

The NFF, alarmed by the fact that Australia's inflation rate is double the average for the Organisation for Economic Co-operation and Development and more wage rises are in the pipeline, has established a "fighting fund" to give the farm lobby more clout.

"Agricultural issues are public issues. They are economic issues. But you need money behind you if you are going to make any impression, NFF deputy director, Mr Rick Farley, says.

Within two weeks of its launch, the NFF had raised A\$1m towards an A\$10m target. The aim is to invest the A\$10m and use the interest to finance political activities.

For example the NFF is prepared to take court action against unions where it believes the unions' actions are damaging the rural, and wider, economy.

Farming is less vulnerable to union retaliation than business



Trucks loaded with cane being hauled to a raw sugar mill, near Mackay, North Queensland. Sugar mills operate about 2,200 miles of light railway to transport cane



Shearing year-old Cormo sheep at Dargrove, near Bothwell, Tasmania

because farming is so decentralised and much of it involves self-employed workers. Thus city businesses may be prepared to contribute to the NFF fund because of its willingness to fight test cases.

The fighting fund will also be used to challenge the Government over its taxation, tariffs and interest rates policies. For example, farmers have already threatened a "cheque book" strike against some government taxes.

The greatest problem facing farmers is low commodity prices. Except for wool, where Australia dominates the world market, Australian farmers are price takers. They are not, in general, subsidised.

Australia, like other rural goods exporters, is a victim of the trade war between the EC and the US.

Prime Minister Bob Hawke returned from the US in April pleased with official assurances that the US would not target Australian markets with goods subsidised under its Export Enhancement Program (EEP). He had scarcely been home 24 hours when it was announced that the US had won a wheat tender in the Yemen—a traditional Australian market—with a subsidy of US\$20 a tonne to bring it just under the Australian tender price.

The US Food Security Act, the so-called Farm Bill, is already affecting Australian exports of barley, cotton and rice which have had to compete with US subsidised exports.

The beef industry is afraid the trade war between the two big trading blocs will break out in Asia—the heartland of Australia's beef market.

Although the US says it is only targeting EC markets where subsidies are already being used, it is inevitable that countries like Australia will be hurt. The Australian Wheat Board believes that wheat prices to Australian farmers will fall by about A\$12 a tonne in the 1986-87 season as a result of the US Farm Bill.

The NFF is considering establishing a permanent presence in Europe to create greater awareness of the cost to Europeans and to other countries of the Common Agricultural Policy (CAP).

The EC, which used to be a net importer of temperate zone agricultural products, is now the world's second largest exporter as a result of subsidies paid to producers.

The Bureau of Agricultural Economics (BAE) estimates that the cost of the EC's protectionist policies to Australia at about

A\$1bn a year in lost trade and lower commodity prices.

The BAE has recently published a study entitled "Agricultural policies in the European Community," the so-called Red Book because of its cover, which argues that instead of the largely open-ended system of price support, the EC could achieve its domestic, social, economic and political objectives at substantially lower cost, both to the Community and to other countries. The NFF European post would reiterate this view.

The chairman of the Meat and Livestock Corporation, Mr Dick Austen, said on the departure of a delegation to Europe last month that the EC ought to fine-tune the CAP so that it cost less to European taxpayers and did not ruin the whole basis of world agriculture. However, Australia is well aware that the CAP will not be reformed overnight, and in the meantime Australian farmers have no choice but to roll with the punches.

At the farm level there is much greater concentration on improved efficiency. The NFF has called for all agricultural industries to follow the model set by wool, and fund more research and marketing.

"Selling things today is sell-

ing fashion, rather than selling homogeneous commodities," Mr McLachlan says. There is so much food about that Australia has to look at being able to sell exactly what the consumer wants. If the consumer wants lean meat, then Australia has to produce it. Australian wheat has to be marketed on the basis of its excellent quality and so on.

No matter how much effort is made at the farm level, within the domestic economy and on the world scene, the truth is that Australian farmers will continue to be driven from the land as they have been for the last 200 years since white settlement began.

A New South Wales cotton farmer whose livelihood is endangered by competition from US subsidised exports, remarked wryly that about the only commodity that was profitable in Australia at present was the birds which eat the crops. He suggested turning his cotton property over to crops and harvesting the beautiful parrots and cockatoos that come for the seed.

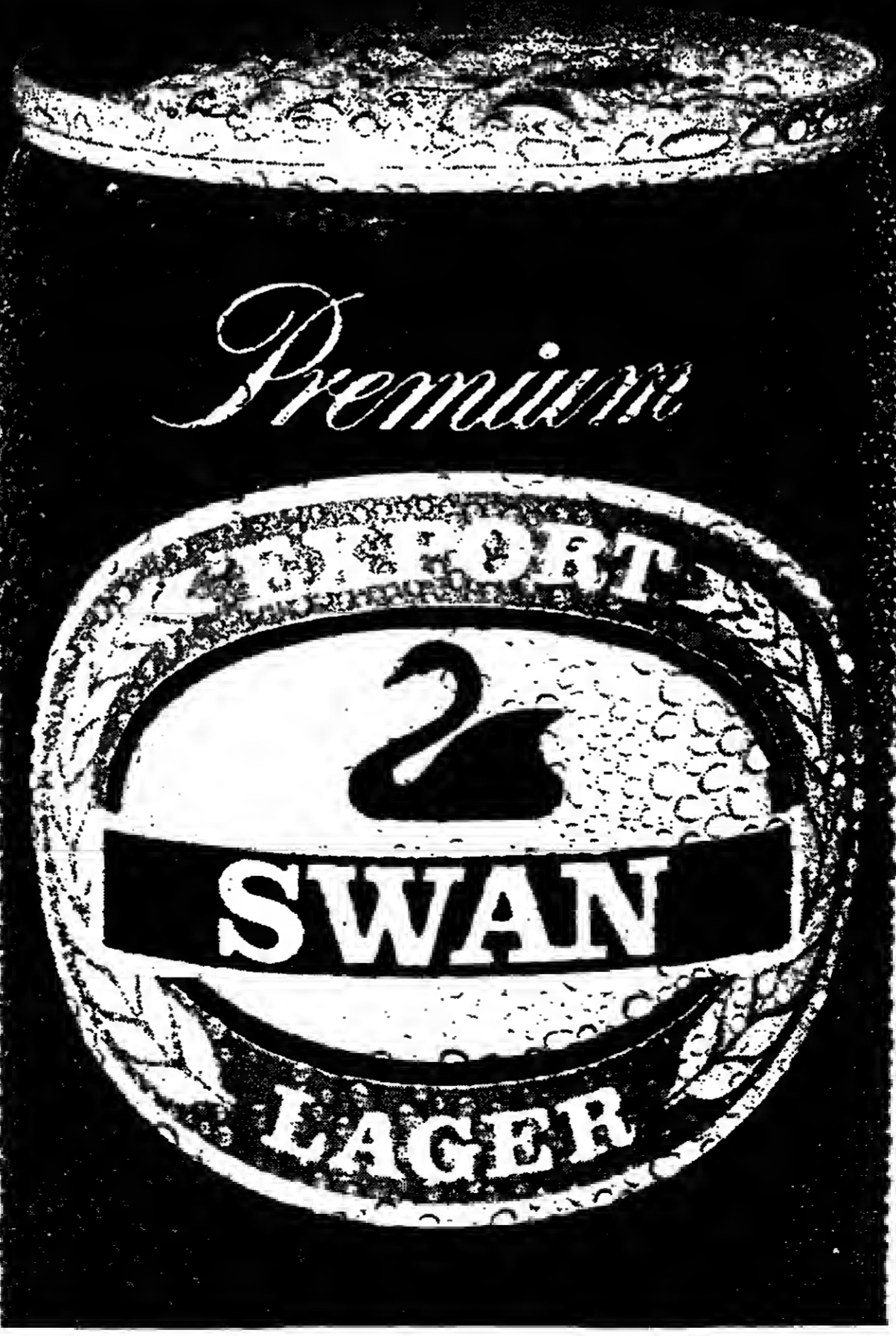
Australian birds, which are prohibited exports, fetch up to US\$500 each on the black market in New York.

Patricia Newby

exports

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NKER

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**SWAN
PREMIUM
THE OFFICIAL
BEER OF THE
1987 AMERICA'S
CUP DEFENCE.**

America's Cup

Prestige is name of the game

THE SEA breeze slanting across the Indian Ocean into Fremantle carries a pleasant aroma of money.

Far out in the blue, beyond the new yacht harbour, two perfectly trimmed sails are slicing prow-by-prow to windward accompanied by the inviolable launch scurrying like a terrier besides them.

Today it is the New Zealand contenders for the America's Cup out on a routine practice: two identical 12-metre yachts with as near as possible identical gear and crews. That is how the Kiwis test whether a slight twist on the winch, or another half inch on the spinnaker guy, will gain that vital second needed for victory in February.

Ocean yacht racing was once described as the equivalent of standing under a cold shower tearing up five pound notes. But the next series of America's Cup races, off the Western Australian coast, is more like a military operation, with the costs beginning to look like the yachting counterpart of Star Wars.

Many of the syndicates behind the 14 contenders for the cup have doubled their estimates of costs in the last couple of years, partly because of the fierce standard of competition set by the Perth-based entrepreneur, Mr Alan Bond, whose winged-kieled Australia II wrested victory from the US in 1983.

His crew is training through the Australian winter, rain or shine, with the precision and discipline of a naval gun crew. At the same time, the constant search for another whisper of speed has led to heavy expenditures on research and development into sails, gear and hull design, and finishes.

The cost for the leading syndicates is now estimated to be running at between A\$10m and A\$20m, not to mention the high corporate expenditures for transporting and entertaining

top brass and their guests who will be watching.

Fort charges alone for the 15 cruise ships expected to steam in for the event will amount to some \$500,000. And that is before the guests have eaten a single lobster.

All this is very good news for most people in Fremantle, particularly by the look of it, the painters and decorators. They have been out in force, smartening up the pleasant jumble of Colonial Edwardiana in the narrow streets by the waterfront. After years of genteel neglect, Fremantle looks like a town that has come into a bit of money and is determined to enjoy itself.

However, higher rents, and perhaps some resentment of imported opulence has also prompted protests against the event.

The style of refurbishment is set by the 1897 Esplanade Hotel, down by the fishing harbour. Its fine stylish wooden galleries, resplendent in a new livery of coffee-and-white, proclaim that it is already well prepared for the influx of the blue blazer brigade next summer. Just up the road, the public sector is doing its bit by pulling apart and restoring the old colonial town hall as a central focus to the port.

In Fremantle, 10 major building projects have been undertaken with an estimated total cost of around A\$50m. However, the total benefit of America's Cup fever to Perth, Fremantle and the surrounding area is much greater. The America's Cup office, set up to coordinate the Commonwealth and state administration of the project, estimates that the total direct and indirect benefit could be as much as A\$1bn.

Some 500,000 extra visitors are expected to make the trail to the West Coast during the race period, between October and



Flashback to Newport, Rhode Island, 1983: Alan Bond (left), chairman of the Australia II syndicate, with Prince and Princess Michael of Kent during a tour of the Australia II dock—but the yacht's keel remained a secret.

February, almost twice the usual number.

This has stimulated a large programme of hotel building and refurbishment, as well as a major increase in public spending on roads, a port railway, boosting telecommunications, a new yacht harbour and other projects.

In addition, substantial sums will be spent on specific facilities needed for the race—A\$13m for converting an old hockey hall to house the expected influx of 1,000 journalists in air conditioned comfort, money for 250 extra police on land, and harbour patrols; not to mention facilities for 20 helicopters which TV crews and the richer yachting correspondents will commandeer.

The Commonwealth Government has provided A\$30m in direct aid towards these projects, while the Western Australian Government has brought forward a number of major projects to bring total public spending for the America's Cup to A\$80m.

Officials point out that this expenditure is modest compared with spending on events like the Olympic Games. Moreover, most of it will be of continuing benefit, unlike some of the huge but little-used stadia that have been built for prestige events.

The holding of a new harbour, optimistically named "Success," will not be wasted, even if the unthinkable happens and Australia loses the cup, sending the sleek-bulled racers back across the oceans to Newport Rhode Island, or, who knows, to Cowes, Fremantle's fast-expanding fishing fleet and its even faster growing band of yachtsmen will quickly fill up all available berths.

It is less obvious who would fill up the 6,500 new rooms in Perth's rapidly enlarged hotels after the yachtsmen have sailed away. However, Mr David Berry, deputy director of the America's Cup Office, believes that, win or lose, the event will give a sharp boost to tourism in the area.

The other expected pay-off is in the corporate sector. For few of those connected with the event are naive enough to believe that the America's Cup sponsors are entirely—or even mainly—driven by the high romance of wind, salt spray and the grace and power of tall-masted yachts.

Next year's America's Cup series, with its 500-to-600 preliminary races, promises to be not only much longer but more of a corporate showcase than any previous challenge. Mr Alan Bond has shown the way by equipping his Australia II with an enormous Swan Lager spinnaker, which can be hoisted on after the race.

The Kiss Organisation of France has infiltrated some cheeky advertising by calling its yacht *French Kiss* and its motor launch *Kiss Me Tender*. There are no prizes, say West Australian wit, for guessing what they call their escorting helicopter.

But the sport of slipping brand-names past the rules committee is only a sideline. The name of the main game is "prestige." Hundreds of chairman and chief executives, from all over the world, are expected to gather next summer in exceptionally pleasant and relaxing surroundings. Business may be done, contacts will be made, with, it is hoped, major intangible benefits for corporate Australia, particularly the West.

As one official said: "Many of these people will never have been to Western Australia before. When they get here we hope that they will be pleasantly surprised. It will be Perth, a centre that they know about."

Max Wilkinson

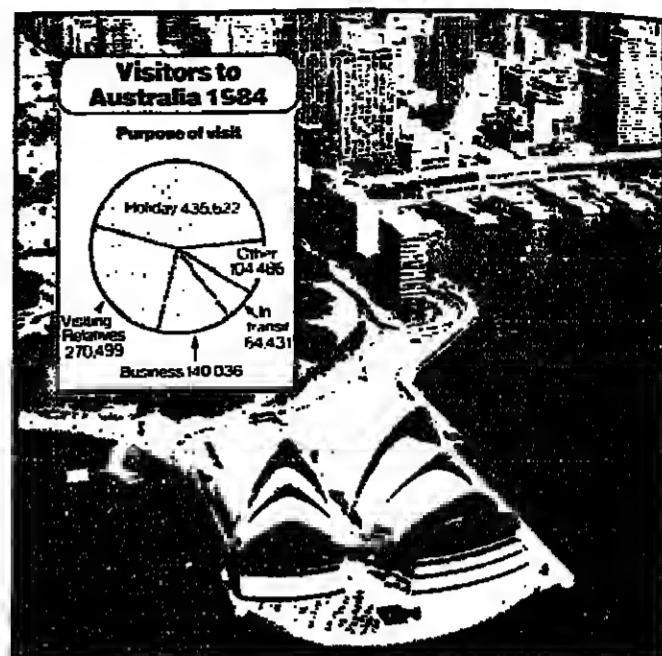
Tourism

Plenty to explore

"YOU LOOK like you need a holiday," Paul Hogan, the archetypal blonde, bronzed Aussie, has been telling American television viewers for the past 18 months. And Australia, he says, is the place to take it.

Hogan, who is selling *Festers Lager* to the British for a very large fee, did not take any payment for his part in the enormously successful Australian Tourist Commission (ATC) advertisement.

His success in selling his country, which he honestly believes is God's Own, has made him something of a cult figure in the US where he was recently given the keys of the city of Los Angeles.



Sydney's famous Opera House juts out into the harbour

Hogan winds up the ATC advertisement by saying: "Come on over, I'll slip another shrimp on the barbie" (barbecue). And Americans have accepted his invitation—in their thousands.

In the last six months of 1985, the issue of tourist visas to Americans was up 40 per cent. After growing by only 5 per cent in 1984, the number of US tourists to visit Australia in 1985 was up 27 per cent to 205,000 and this year is expected to be up another 35 per cent while tourism to Australia overall is expected to increase 14 per cent.

Qantas reported a 40 per cent increase in US business in the year to end March and is now flying 1974's a week to and from the US. Other carriers plying the Australia-US run report an upsurge in US business.

In the wake of the US bombing of Libya at least two US conventions scheduled for European cities have had their venues switched to Australia.

Australia has come of age in the tourism business. Late to start, anxious that perhaps this country didn't justify the airfare, Australians have realised that they do have something to sell.

Apart from the fact that shrimps are actually called prawns, the US tourist almost certainly find that Australia is as "Hoges" tells it. He offers a rare's rock, wide open spaces, the beach, Sydney Opera House and the great Australian barbeque.

As he says, the people more or less speak the same language. Entertainment and relaxation are the main reasons for visiting this safe, friendly destination in an increasingly hostile world.

Australia is perceived as one of the last unexplored places on earth, but with the infrastructure for tourist comfort. "It's wilderness with a bathroom," according to one American tourist.

Japanese tourism to Australia is also growing strongly. After a 27 per cent increase to 112,000 last year, tourists from Japan are expected to rise another 25 per cent this year. Surfers Paradise, perhaps the Gold Coast of Queensland is now second only

to Hawaii as an overseas destination for honeymoon couples.

Tourism from the UK and Ireland grew by 8 per cent last year to 132,000 and mostly remains, in tourist parlance, in the VFR category—Visiting Friends and Relatives.

Tourism contributes 5 per cent to Australia's GDP. Overseas visitors spent about A\$1.5bn during the last financial year. As manufacturing continues to shed labour, tourism is seen as the main hope for mopping up the pool of young, unskilled workers.

Behind the marvellously casual atmosphere of the Hogan advertisement was a hard-nosed professional operation by the ATC which has had its budget increased over the past five years by 160 per cent to A\$26m in 1985-86.

If the advertisement did not generate a predetermined level of inquiries in a certain area it was switched to another part of the US to maximise the television advertising dollar. Over an 18-month period the ad triggered more than 1m inquiries.

The ATC campaign in Japan, which is just being formulated, is likely to be very different from the Hogan-style in the US. The target audience has been identified as young, unmarried Japanese female clerical workers aged 19-29.

Probably still living at home, they may be prepared to spend some of their reasonably good income on visiting Australia. From there, Australia hopes to pick them up for life. They may choose to honeymoon in Australia, perhaps bring their children back for a trip and come

Patricia Newby

Doing Business

How to have a G'day

SINGAPORE'S Prime Minister, Mr Lee Kuan Yew, on a recent visit to Australia said most Asians see their Australian neighbours as big beef eaters with large wallets, formidable little appreciating of Asia beyond its cheap cameras and TV sets.

Australia's inability to come to terms with its place in Asia and perhaps Asia's inability to understand the Anglo-European-based colony in the far flung Antipodes, is handicapping trade and growth prospects for the whole region.

Mr Lee suggested that after long years as a "reflective client" of Britain, and now America, Australia should seek to become a primary rather than a derivative society.

In fact, conservative Australia's xenophobia, especially towards Asians, is gradually declining. Australians are proud of their way of life and the vast increase in recent years of tourism everywhere has made them more tolerant of other people's customs.

Australians are big eaters and drinkers with plenty of disposable income for sport, gambling, entertainment and electronic gadgetry. They are also given to swearing with a flamboyance that startles European and Asian alike. But once acclimatised, doing business in Australia is mostly straightforward. And for Americans, it's a piece of cake.

Strikes do occasionally disrupt the airlines, but mostly public transport is efficient. The phone system is excellent, and includes extensive interpreter services. Most modern hotels provide the services businessmen need including telex, photocopying and facsimile transmission.

The American habit of wishing everyone a nice day several times a minute has become widespread in hotel Australia, as has the habit of "service" people identifying themselves by name. Instead of the disembodied "Operator" that used to answer the hotel phone, you now have, "Hello, operator Anne speaking" or "Hello, this is room service. Sally speaking."

Informality is the rule, from Prime Minister Bob (not Robert) Hawke down.

"Europeans need to loosen up. Australians are intimidated by formality," according to Laurie Bongiorno, the general

manager of the Hyatt on Collins Hotel in Melbourne.

Trying to be relaxed and informal when you can't understand the accent is, of course, a problem.

One English visitor reported understanding only about 25 per cent of what was said when he first arrived. And an American businessman said, "I don't know if Australians talk too fast, I just know that I hear slow."

Australians have perfected the art of speaking without moving their lips. All vowels sound much the same for sime as it would be pronounced Down Under.

An Englishman who was buying Australian films remarked on the unusual name when he met someone called Rye. Actually the man's name was Ray.

G'Day (from Good day) is the standard greeting. There is also much argot or slang with which he will say that I hear slow. Australians usually have their own language and on the whole most foreigners agree that Australians are very open, friendly and frank.

What you see is what you get. There is rarely any hidden agenda in conversation. If an Australian does not agree, s/he will say so. In fact Aussies can be disconcertingly, if not brutally, honest in British, European and Asian eyes. The manner seems to be understood by Americans.

For example, an English person might signal disagreement with, "Do you really think so?" An Australian is likely to thump the desk and shout "Rubbish" or a far more vulgar expression.

If Australians want to know something they will ask direct question and they give straight answers. According to one European diplomat, Australians lack deviousness to the point of naivete.

Just as there is no hidden agenda in conversation, there are generally no behind-the-scenes kick-backs, secret commissions, or bribes.

Australians are enthusiasts, so if somebody warmly recommends a product or venue, there is no need to be suspicious of secret commissions. Australians of European origin will recommend a family member where possible, but this is usually obvious, and in any case, sound business.

There have been some spectacular accusations of corruption recently in relation to drug trafficking, but for the

legitimate businessman, corruption is not a problem. The plethora of rules and regulations on taxation, foreign investment, export controls and so on do require study, but some would say unfortunately, you can't get red tape by bribing officials.

The business lunch is a regular feature of Australian life although it has just been aged as a corporate tax deduction. Business lunches tend to occur between established business contacts, rather than to secure new business.

It is perfectly acceptable to do business in a casual setting, feeling obliged to take a contact out to lunch. Government officials may feel it ethical to refuse a lunch where large government purchasing contracts are involved.

In the private sector, a free lunch is usually appreciated. But Australians don't like feeling under obligation, if possible, allow an opportunity for the Australian to repay hospitality by taking you to the football, or the races or boating on Sydney Harbour.

Australians love to show off their country. The so-called "cultural cringe" of previous eras is never. Aussies are proud of their food, restaurants, wine, cinema, theatre, film, ballet, opera, the beaches, all sports events, their own houses, even the countryside.

An excellent way of escaping formality at the office is to express interest in any feature of Australian life and an invitation will probably be forthcoming.

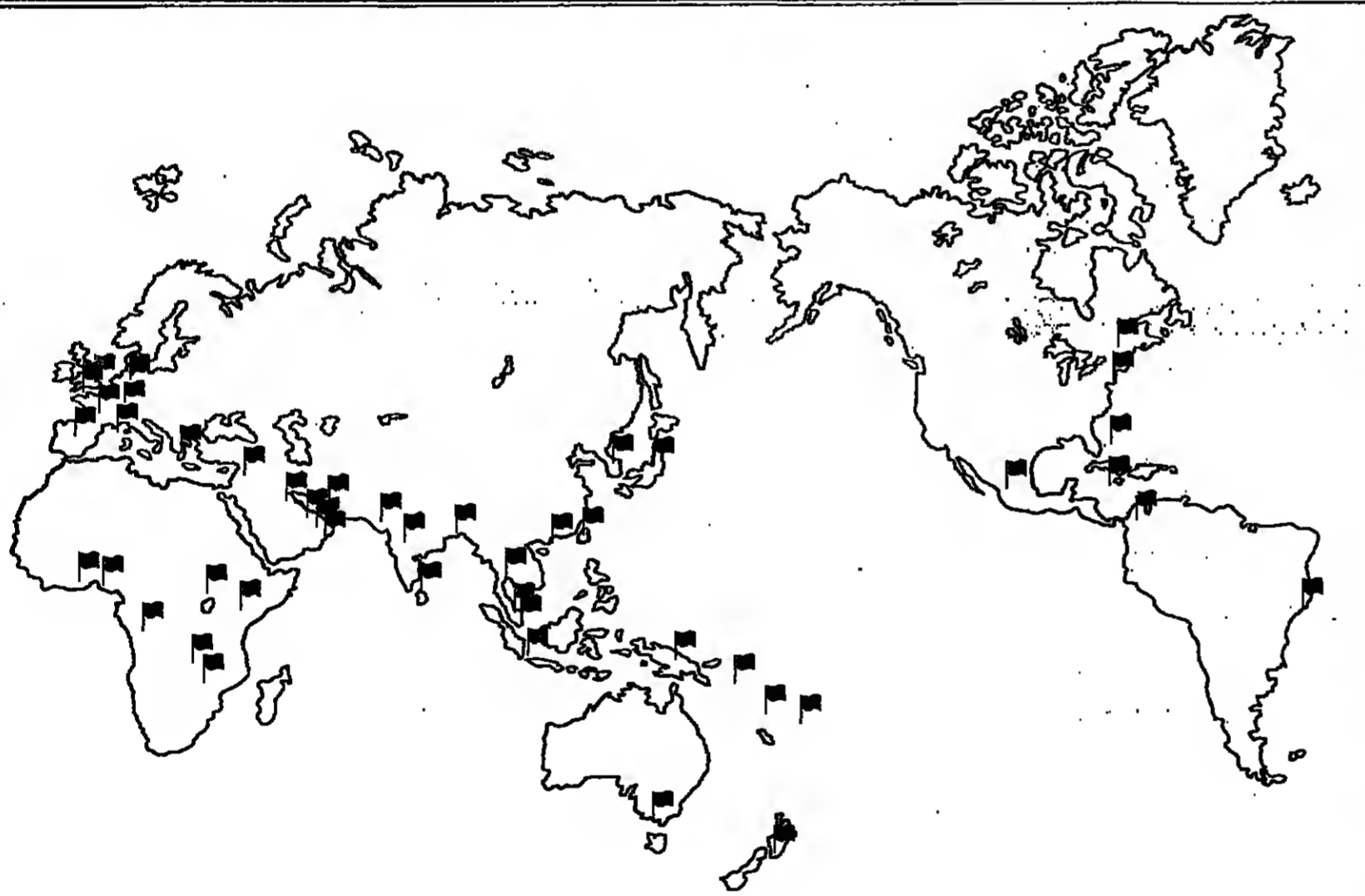
To tip or not to tip? Some Aussies claim they never tip anybody ever. And certainly wages are set at levels that mean workers in service industries do not have to rely on tips in the way they do in Europe.

In general, one doesn't tip taxi drivers except to show the bother of waiting for small change. Tipping in hotels seems to be on the increase and it is probably better to tip than not to tip.

All restaurants it is customary to leave a tip of perhaps 5 to 10 per cent. Visiting businessmen who over-tip may annoy Australian acquaintances who don't want expectations raised in the service industries.

For businessmen who feel uncomfortable not tipping, the rule is tip, but less than you would at home.

Patricia Newby



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FINANCIAL TIMES JOBS

Thursday June 5th 1986

Why personality counts most in the race for the top

BY MICHAEL DIXON

WHICH OF the following two couples would you expect to make the more successful marriage? A pair whose personalities are much the same. Or a couple whose personalities differ.

I ask because of a chat I had the other day with Professor Ray Cattell, one of the world's best known authorities on the topic. If you have had your personality tested, it is probable that the tests you took included the one he developed. It is called the 16PF because it assesses 16 different personality factors.

Even readers who have so far escaped personality tests have a fair chance of being confronted with one if they try for a new job. Such tests are in growing vogue among employers.

Many of them believe that success in a job depends greatly on the recruit's personality fitting the demands of the work, especially in top positions where the fit is often thought more important than technical skill. The belief is not neces-

sarily true. Nobody can be sure even that such a thing as personality exists. However many people you cut to pieces, you could no more find their personality than you could their soul. But if employers believe that personality exists and matters crucially, then it might just as well do so—as far as job candidates are concerned, anyway.

In that case, Cattell's test can claim to be one of the soundest devices for assessing the crucial element. In its 35 years of use, the 16PF questionnaire has been completed by millions of people. Vast experience lies behind its predictions of how a given mix of personality traits is likely to get on in various types of job, or with different kinds of people.

The reason why marriage came up during the talk with the 23-year-old professor—who was in London for a seminar at the Independent Assessment and Research Centre—lies in the question I put to him at the outset.

When top people use a personality test in selecting senior colleagues, they do not necessarily use it with the aim of picking those whose personalities fit the demands of the job in an objective sense. So I asked Ray Cattell if he agreed that organisational chieftains often use the test primarily as an aid to filling their senior subordinate posts with people like themselves.

"Sure," he replied. But he added that maintaining the same kind of old boy net might be no bad thing "if chiefs need to get on with their nearest colleagues."

Take married couples for example. His test evidence was that a pair with different personalities had at best a 50-50 chance of a successful marriage. The chance of a couple with similar personalities was well above even, about 40 per cent better, to be exact.

"It's a finding that puts paid to the myth that, in human affairs as in physics, opposite poles go together and like poles are at odds," the professor said.

While the finding does that much, however, I cannot see that it explains why, when selecting senior aides, those at the top seem so heavily to prefer people like themselves to people of a different mould who have technical skills which the existing directorate lacks.

Real reason

The reason for such a widespread practice surely cannot be just the aim of harmonious relations in the executive offices. Many organisational chieftains do not get on at all, let alone well, even with those one notch below them. Numerous chiefs isolate themselves within their own company, keeping every other inhabitant at best at a stiff arm's length. Yet they often still choose subordinates very much in their own image.

The real reason probably lies in a fact about work at the peak of organisations which seems to be little appreciated in their middle and lower ranks.

In the conventional interpretation, work at the peak is seen as consisting of cleverly deciding strategies for the company and motivating those below to carry them out. But that interpretation is a myth.

Even chiefs who behave like Ivan the Terrible within their own premises would usually be quite unable to do their job if they did not get on well with other people. In their case, it is just that the other people they need to get on with do not include those working in the same organisation.

For work at the peak consists, at least as importantly as anything else, of fixing things with eminent people in other fields including politicians, mandarins and even well connected lounge lizards as well as customers, financiers and so on.

The need for top executives to develop and maintain such contacts is well documented. Take for example the study by the American researcher Jeffrey Pfeffer reported in the April 1976 edition of the

Academy of Management Review. He found that at the highest rank—which he calls the "institutional" level as distinct from the "administrative" and "technical" levels farther down—the task of managing relationships with the heads of external organisations was frequently critical to a company's survival.

"Organisations are open social systems, engaged in constant and important transactions with other organisations in their environments," he says. As such, a company lacks control over many of the important factors which affect its operations. "One of the principal functions of the institutional level of the firm is the management of this interdependence and uncertainty."

Knowing that, capable chiefs are aware of the importance of having senior subordinates whom they can trust to understand and co-operate in doing the essential contact work. But they also know that such abilities are different from the

administrative and technical skills needed lower down. So how can they best choose effective top-level colleagues?

The question was answered succinctly by another American researcher, Melville Dalton in his book *Men Who Manage*:

"Wittingly or not," the typical chief "begins to look for attitudes like his own as assuring a basis for understanding and co-operation," he reports. "With considerable scientific support, his search moves on the assumption that those with qualities and interests like his own will think as he does."

So there is evidently sound sense behind top executives' tendency to fill their upper offices with people like themselves, and behind their use of personality tests with a view to doing it more accurately. Otherwise their outfit might cease to be effective at the high-level contact work and perhaps lose its economic

capability to provide jobs at all. Much the same applies, albeit in different ways, in the Soviet Union and other collectivist countries as well as in western-type democracies.

But, however much the maintenance of the old boy net may help organisations in stable conditions, it is liable to do the opposite when the environment changes—as it is evidently doing across most of the older industrialised world today. And one common trait of top people is a reluctance to step down in favour of different folk more in tune with the new state.

That observation may explain why the economists Mancur Olson has argued that the main reason for the post-1945 success of Japan and Germany was not that the war destroyed their factories which had to be rebuilt with modern machines, but that it broke up their outdated old boy networks. Let's hope we do not need such drastic assistance in re-equipping ourselves with a leadership appropriate to the times.

*Chopman, 1959.

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A graduate with about two years experience within a financial institution is required by this leading Investment House to be trained as a Fund Manager. Candidates must have a basic knowledge of Capital Markets and a strong desire to further it.

01-588 4305/6 Moorgate Hall, 153/157 Moorgate, LONDON EC2M 6XB.

SLAUGHTER AND MAY

are looking for

YOUNG LAWYERS

Slaughter and May invite applications from young solicitors with 2 or more years experience who want a career with a major City firm, working in the Company/Commercial, Tax or Pensions/Employment Departments and based in London or overseas.

The firm's practice continues to expand and offers a wide range of financial and commercial work which is both challenging and intellectually stimulating; it often involves considerable responsibility and young lawyers are encouraged to accept this challenge.

Previous City experience is welcome but those with other experience should certainly apply if they have a good academic background and want to join a first class team working in a friendly atmosphere.

Salary and benefits are attractive and the working conditions are good. Write now, with a detailed curriculum vitae, to:-

Peter Morley-Jacob,
Slaughter and May,
35 Basinghall Street, London EC2V 5DB.

FINANCIAL EXECUTIVE

Small expanding London based Group in the commodity trading and property fields seeks an experienced qualified accountant to run the group's finance, accounts and administration departments. Must have experience of letters of credit, banking negotiations, shipping contracts and project analysis. Experience gained in trading, banking or shipping would be advantageous.

Attractive salary payable to the right person
Please send your CV with salary history to:
BOX A0170, FINANCIAL TIMES
10 CANNON STREET, LONDON EC4P 4BY

FINANCIAL CONTROLLER

EAST LONDON/ESSEX

EXCEPTIONAL OPPORTUNITY

A. F. Bulgin & Company PLC is looking for a Financial Controller to act as Assistant to the Company and Power Conversion Divisions. The Financial Controller will be responsible for the company's data processing, review of performance against budget, presentation of financial statements information to the Directors and the Group Board. The successful candidate will be a qualified accountant probably in his late twenties with a wide interest in manufacturing generally. Men and women may apply for this post.

Apply in writing with full CV to:
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A. F. BULGIN & CO PLC
Bypass Road, Barking, Essex
Mark envelope ACC

PRINCIPAL CONSULTANT (Life and Pensions Systems)

Computer Services Group

Sal c. £25k + car and benefits

An established, London based Group, our client has a reputation for being at the leading edge of information technology. Operating across a broad spectrum of computer based services they have an impressive record of growth and profitability.

Rapid expansion in the financial services area has created a need for a Principal Consultant to cover the Life and Pension sectors. There is a strategic objective to expand the role through the identification and development of new business opportunities.

Operationally you will be required to manage a number of projects; undertake personally, strategic and systems requirement consultancy projects and act as a 'centre of excellence' on all matters relating to Life and Pension products.

Ideally you will be degree educated and a member of an appropriate professional body. Probably in your mid thirties, you will have acquired broad experience in a number of companies and possess detailed knowledge of the management of Life Offices.

A personality and style suited to consultancy at senior level in major companies is essential as is the ability to motivate and control professional staff. Although London based you must be prepared to travel extensively.

Please write quoting ref 895 stating how you meet these requirements and enclosing a CV to Eric Hogg

KHM
ASSOCIATES

1 New Bond Street,
London W1Y 9PE
Tel: 01-493 7232

Deposit Dealer-Bahrain

Good all round money market experience is required and working knowledge of off balance sheet instruments is an advantage. Aged between mid/late 20's you should have a firm commitment towards the Middle East. USS Negotiable.

Senior Spot Dealer-London

A minimum of 6 years active spot trading is required and this should be coupled with management potential. Specific experience in spot Yen or DMK is advantageous and candidates should be used to a "high turnover" style. Salary is negotiable and will reflect the importance of the appointment.

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Aged early/late 20's you will require 1 to 2 years experience of trading spot cable with an active bank. You will join a well established team and the bank has a sound reputation in the London Market. Salary package c£25,000.

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Well established international merchant bank seek an experienced forwards trader to complement the existing, active team. The bank possess a good reputation in the trading markets and are currently increasing their trading activity. Salary negotiable according to experience.

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"Blue Chip" city bank seek a well established sterling dealer with broad based experience in the market. Must be a "hands on" trader willing to actively participate in the day to day trading activities.

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CAPITAL MARKETS

YOUNG ACA'S £17,500-25,000 + Benefits

One of the most exciting and interesting areas of finance today demands flexibility and versatility as well as technical prowess. Knowledge and awareness of the City and its various institutions is less important than enthusiasm and a keen desire to succeed in the highly competitive modern financial world.

Opportunities exist within a wide variety of organisations including the major U.S. investment banks, stockbrokers, accepting and securities houses. The range of roles is extensive and includes trading/dealing, management reporting, systems and analysis.

Those suitable will be aged 24-28, graduate qualified ACA's with initiative and determination. Experience in areas other than audit and the propensity to learn fast are also important.

For further details please telephone **Graham Palfrey-Smith** on **01-629 4463** (or **01-697 6811** after 8p.m.) or write to him enclosing a comprehensive career history at the address below.

HARRISON & WILLIS LIMITED, CARDINAL HOUSE, 39-40 ALBEMARLE ST., LONDON W1X 3FD. TEL: 01-629 4463.

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- a) Should we centralise our treasury function?
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We are a major international business advisory and management consultancy organisation. Our treasury practice is an international leader in its field and is growing rapidly. We are keen to be innovative in the structure and design of the treasury function and its supporting systems.

The nature of our work is varied, complex and intellectually demanding. The treasury management team assists clients especially in the use of working capital, cash transmission, currency and exposure management, and treasury reporting systems. Many assignments involve aspects of the centralisation of the treasury function. The majority of the projects undertaken are in the UK and the rest of Europe, but assignments can be anticipated in North America and Australasia.

We seek high calibre candidates who are in their mid 20's to mid 30's and who have:

- A sound understanding of treasury management
- A professional skill in accountancy, banking and/or information technology
- Experience in a multinational treasury function, cash management consultancy group of a bank, professional practice or a treasury systems group of a software house
- Personal need for challenge

We offer a substantial remuneration package and the opportunity for rapid career progression based on merit.

If treasury management consultancy attracts you please write in confidence, highlighting relevant experience, together with career and other personal details quoting MCS/8061 to: Peter Humphrey, Price Waterhouse, Management Consultants, No 1 London Bridge, London SE1 9QL.

Price Waterhouse

Corporate Finance in Tokyo

A unique opportunity arises for a strongly motivated individual to take up a newly created senior post in the rapidly expanding Tokyo Representative Office of Lloyds Merchant Bank.

Working closely with the existing highly successful Sales & Trading and Swap Finance teams and liaising with Lloyds Bank Plc's well-established Corporate Banking team in Tokyo, the post will involve the development, marketing and delivery of a wide range of international capital market products and corporate finance services to Lloyds Bank's extensive range of top-quality corporate and public sector contacts in Japan.

The successful candidate will be:

- a graduate in his 30's
- experienced in relevant international capital markets or corporate finance areas
- both a team player and a responsible leader
- able to demonstrate a successful track record in any relevant field in obtaining business and contributing to the creation of new financing ideas in a team environment.

While some past experience in working in the Japanese market and/or some Japanese language ability would be helpful, this post will also have considerable appeal to candidates with a fresh and original approach to the Japanese market who wish to add a new dimension to their careers and are keen to work overseas. Application from Japanese nationals are also welcomed.

In addition to a competitive market-related London pensionable salary with a performance related Bonus Scheme and the usual fringe benefits, the remuneration includes a very attractive expatriate benefits package.

Applications in writing, which will be treated in the strictest confidence, should be addressed to:



Lloyds Merchant Bank

Mr RN Dowler
Senior Assistant Director - Personnel
Lloyds Merchant Bank Limited
40-66 Queen Victoria Street
London EC4P 4EL

Hongkong International Trade Finance Limited

Credit Analyst

Hongkong International Trade Finance Limited is a wholly owned subsidiary of the Hongkong and Shanghai Banking Corporation and is its trade finance arm in Europe.

An expansion in business has created an opportunity for a Credit Analyst with a minimum of 12 months experience of UK and European corporate balance sheets. Evidence of formal credit training would be a distinct advantage. Good communication skills, a thorough and tenacious approach to analytical work and willingness to work in a team environment are essential.

A competitive salary as part of an attractive benefits package will be paid to the right candidate.

Candidates, aged in their mid-twenties, are invited to write in confidence with full personal and career details to C. E. Fiddian-Green, Hongkong International Trade Finance Limited, Wardley House, 7 Devonshire Square, London EC2M 4HN.

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We seek ambitious, energetic professionals who can find practical solutions to clients' complex logistics problems by using creative ideas and the most effective technology.

Cleveland Consulting Associates is America's leading logistics consulting firm. We help clients in North America and Europe improve operations, profits, and competitive position by applying business know-how and systems expertise.

Our company has the solid reputation and wide-ranging skills to help Fortune 500 corporations meet major operating challenges. Yet the firm is small enough to be entrepreneurial, unregimented and fun. And our profitability and fast growth allow us to offer very competitive compensation to the right candidates.

If you have an advanced degree in business, 4 to 10 years of successful experience, and the ambition to make a smart career move, send your resume in confidence to:

Randal Faulkner,
Managing Director,
Cleveland Consulting Associates,
68 Merrion Square,
Dublin 2, Ireland.
Tel: 680191

THE J D WETHERSPOON ORGANISATION LTD

Financial Controller

Having commenced trading in 1979, we currently operate twelve very successful free houses in north London and plan to open a further five outlets in 1986 prior to obtaining a stock market quotation in early 1987.

- We seek a qualified FCA reporting directly to the Managing Director to take full control of our accounting functions involving:
 - the refinement of existing book-keeping and financial information systems to bring these up to public company standards.
 - the supervision of our small head office staff.
 - liaising with suppliers, auditors, bankers, stockbrokers etc.

You will be aged 26-30, have a good degree, be personable with the ability to communicate well and have the ability to evolve and develop financial systems as we expand.

Please write enclosing full CV to:
Tim Martin, Managing Director
J D Wetherspoon Organisation Ltd
27-29 Archway Road, LONDON N19 5JT

The Dee Corporation PLC

SENIOR FINANCIAL ANALYST

To £20,000 + Car

Milton Keynes

The Dee Corporation PLC is a rapidly growing UK company with major retail businesses in the UK and USA. To assist in its continued expansion the Company is looking for a Senior Financial Analyst, who will be based at the Group Headquarters, at Milton Keynes, and will report to the Group Planning Manager.

The successful candidate is likely to be in their late twenties, with an MBA, as well as an Accountancy qualification or Economics background, and will have at least two years experience in Industry or a Financial Institution.

Written applications including c.v. to:

David Dupont
The Dee Corporation PLC
Silbury Court
418 Silbury Boulevard
Milton Keynes MK9 2NB



BANKING

Money Market Dealer c£25,000

Expansion of dealing room activity necessitates the recruitment of an additional Money Market Dealer to be active in the primary money markets. The position is with an established European bank. It offers excellent incentives to a self-motivated candidate, who possesses an established record of achievement. Ref: SM 0183

Eurobond Settlements c£22,000

A challenging opportunity has arisen within a major UK institution. This is a newly created position in an expanding department. Responsibilities will involve day-to-day running of the section and training junior staff. Apart from expertise in Eurobonds administration, candidates should be ambitious and possess excellent man-management skills. Ref: SM0182

Capital Markets c£24,000

An interesting position has arisen within the corporate finance department of a major European bank. Responsibilities will be concerned with marketing capital markets facilities to existing and potential clients. Your knowledge of Euromarket instruments will be well rewarded in terms of remuneration and career progression. Ref: SM0184

Senior Analyst c£17,000

UK Merchant Bank has identified the need for a senior credit analyst to support its activities in treasury products and capital markets. Dealing primarily with larger corporate clients - UK and overseas, responsibilities will encompass all aspects of credit work in a fast moving environment. Success will lead to a management position. Ref: SM0181

Management Personnel

Recruitment Selection & Search
10 Finsbury Square, London EC2A 1AD.
Telephone: 01-256 5041 (out of hours: 0306 880012)

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINNERS

Regional Chief Auditor Europe and the Americas

London based, £40,000 plus attractive benefits

This is an excellent opportunity for an ambitious and highly talented C.A. to assume senior level responsibility at an early age within a major U.S. commercial bank. The twenty strong audit team exercises a significant role within the bank's global operations and success in this position will lead to rapid progression to senior operational management. The key role will be to control and direct the internal audit functions in Europe, South America and the international activities in North America. Ideally you will be a Chartered Accountant, aged 30-40, with a minimum of three years regional audit management experience preferably within a major US commercial bank. You must possess outstanding leadership qualities and inter-personal skills which will enable you to undertake key management roles within this dynamic international corporation. Prospects are excellent.

Male or female candidates should submit in confidence a comprehensive CV or telephone for a Personal History Form to J.R. Salmon, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB, 01-734 8852, quoting Ref:26024.



Chief Foreign Exchange Dealer

The London branch of Mellon Bank is seeking to appoint a Chief Foreign Exchange Dealer. The position, which reports to the Vice President, Treasury Manager, would suit a candidate who has already achieved Chief or Senior Dealer status in a leading bank with several years' active experience in the major currency markets. A mature approach, together with the determination to succeed and the ability to develop and expand the Bank's dealing activities, is essential.

The importance attached to this challenging position is reflected in the remuneration package and career prospects are excellent within the Bank's expanding capital markets division. Interested applicants should contact John Green on 01-404 5751 or write to him, enclosing a CV, quoting ref. 3637, at Michael Page City, 39-41 Parker Street, London WC2B 5LH.



Michael Page City
International Recruitment Consultants—London Brussels New York Sydney
A member of the Addison Page PLC group

Chartered Secretary

City Merchant Bank

This is an exceptional opportunity for a young, qualified A.C.I.S. to join our Group Company Secretariat, which services over 75 diverse companies within the U.K. and overseas.

He or she will act as an Assistant Company Secretary within the Group Secretariat, which provides a service for Kleinwort Benson subsidiaries and managed investment trusts, involving statutory work, compliance with Stock Exchange regulations, Board Meetings and other related secretarial and administrative functions.

Applicants, aged mid/late 20's must have sound company secretarial experience, ideally from within a financial environment.

This is a new appointment providing a real career opportunity for a confident young person with the capacity to adapt and develop within our rapidly changing world.

An attractive salary package will be negotiable and benefits will include a subsidised mortgage, BUPA, non-contributory pension and free life assurance.

Suitably qualified applicants should write in the first instance, enclosing a full curriculum vitae, to—
Vine Potterton Limited, 152/3 Fleet Street, London EC4A 3DH.

Kleinwort Benson Group

Portfolio Manager

Philips Pension Fund Central London

An opening has now arisen within our Central London office for a Portfolio Manager for the Philips Pension Fund. Ideally under 30 years of age, the successful applicant must have at least two years' experience of analytical work covering the UK and have held a post which involves taking some responsibility.

Experience with overseas equities would be useful, but not essential.

Candidates should hold an appropriate qualification and be capable of playing a full part in decision making within a small team.

Salary will be commensurate with experience and ability and conditions of employment are those associated with a large organisation.

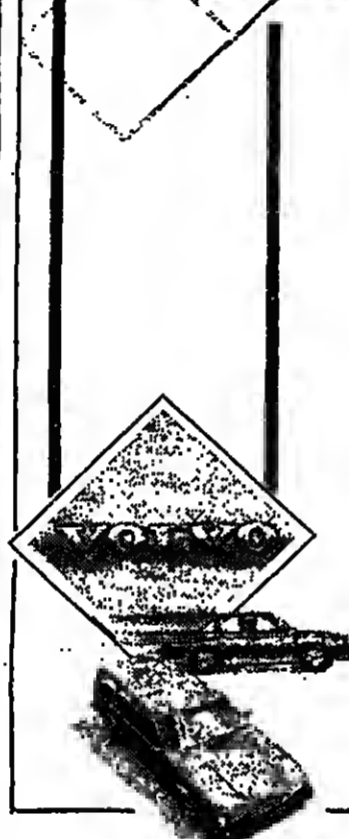
Please send brief details to Mrs. M.D. Rush, Central Personnel Department, Philips Electronics, 8 Arundel Street, London WC2R 3DT. Preference will be given to non-smokers.



PHILIPS

Financial Controller

Buckinghamshire c. £ 27,500 + substantial benefits.



Volvo Concessionaires, a subsidiary of Lex Service PLC, is the highly successful importer of Volvo cars and parts into the UK, with a turnover in excess of £300 million.

As a result of internal promotion the Company now seeks a Financial Controller to head up its finance function and play a key role in the future development of the franchise.

Assisted by a staff of thirty five, the responsibilities of the position encompass financial planning, profit and resource forecasting, together with accounting and margin control. As a senior manager in the Company, the Financial Controller will also contribute to the implementation of the Company's plans through a team process.

The ideal candidate will be a graduate qualified accountant aged 30-35 with at least 5 years' commercial experience. He or she will need to demonstrate high commercial awareness and the ability to communicate effectively with line management. Man-management skills and a sound understanding of computers are also requirements for this position.

The remuneration package is excellent and incorporates a prestige Company car, subsidised lease car and non-contributory pension and personal accident schemes. Relocation assistance is available where appropriate.

In the first instance send a brief CV to Carrie Andrews at Macmillan Davies, Kingsbourne House, 229 High Holborn, London WC1V 7DA. Telephone 01-242-6633.

PRODUCT DEVELOPMENT MANAGER.

CIRCA £30,000 + CAR

In twelve years the Fidelity Group has increased assets under management from £3 billion to £30 billion. The quality and consistency of this growth has made the Group one of the most respected and largest investment organisations in the world with offices in all of the major financial capitals.

This sustained expansion has resulted in Fidelity International now requiring a Product Development Manager to join their marketing team in the City. This is a key position as your responsibilities will be primarily to identify and develop new opportunities within the Unit Trust market with particular emphasis in the UK, Europe and the Far East.

The successful candidate with the qualities needed to fulfil this demanding role, involving some international travel, will be a graduate aged between 25 and 35. You should also possess a progressive and highly creative approach to the financial world, and you will probably be working in the Financial Services Sector with a bank or building society, or possibly with a law or accountancy firm.

Total remuneration will be commensurate with the importance and seniority that the company attaches to this position, and will include a significant salary, generous bonus, non-contributory pension, free life assurance, private health scheme and car.

The long term career opportunities are excellent and an Associate Directorship with equity share should be achievable in two years.

Applications, including full c.v. should be addressed to Margaret Barsham at The Corporate Consulting Group, 24 Buckingham Gate, London SW1E 6LB.



Fidelity
INTERNATIONAL

BERMUDA-BOSTON-HONG KONG-JERSEY-LONDON-
NEW YORK-SAN FRANCISCO-SYDNEY-TOKYO

UMIST

COATS VIVELLA PLC CHAIR IN CLOTHING ENGINEERING

The development of a high productivity high technology garment making industry in the UK highlights the need for a centre of research in this field. Applications are invited for the newly endowed Coats Vivella PLC Chair in Clothing Engineering within the Department of Textiles.

The New Chair reflects the growing needs of today's textile industry, as modern information technology is increasingly deployed in the areas of garment construction, such as computer key planning, laser cutting, robotic handling and high speed sewing.

The person appointed will be expected to provide academic leadership in founding a research school and in developing a new honours degree course in Clothing Engineering. Contacts with industry will need to be fostered at all levels. Proven ability in research in any relevant discipline and some textile experience will be expected from applicants.

Salary will be negotiable within the Professional range (minimum £10,010). Informal enquiries may be made to Professor P.W. Foster (Department of Textiles; phone 061-236 3311, extn 2719). Requests for application forms and further particulars quoting reference T/57 should be sent to the Registrar, Room B9, UMIST, PO Box 88, Manchester M60 10D, to whom completed forms should be returned by 30 June 1986.

INVESTMENT MANAGEMENT

Refuge Assurance requires an Investment Assistant to join its small team based in London managing funds in excess of £1.5 bn.

The successful candidate will have a relevant degree or professional qualification, and probably be aged 21-24. A competitive salary will be paid.

Applicants should write to John Cudworth, Refuge Assurance PLC, 68 Pall Mall, London SW1Y 5EX.

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£15,000-£100,000

A number of our longstanding clients, major City 'names', currently seek highly motivated individuals with Sales, Trading or Market Making backgrounds to set up or complement teams — mainly in London but also in Tokyo.

We invite approaches from teams or individuals. Whether you are actively looking or simply wish to be kept informed please contact Simon Kennedy or Clare Kearns who will treat all enquiries in confidence.

Kennedy Stephens

Financial Markets Search and Selection
44 Carter Lane, London EC4V 3BX, 01-236 7307
Representative Associates New York & Tokyo

ASSISTANT EDITOR

EuroMoney Corporate Finance, the monthly magazine on international financial techniques, requires an assistant editor. Applicants should be experienced in all aspects of magazine editorial. Send cv to Christopher Brown, EuroMoney Publications, Nestor House, Playhouse Yard, London EC4V 5EX.

THE DRAKE EXECUTIVE

BANKING

Our client, a major European bank, has retained Drake Executive to assist in the strengthening of their capital markets division with the following two people:

CAPITAL MARKETS SETTLEMENTS MANAGER £25,000 + CAR
A proven track record and experience in current market products? Instrumental in the training, motivation, and development of staff? The ability to adapt to a rapidly changing business environment? These are all very necessary requirements. REF: 109

EQUITIES £13,000
As with the above, experience is essential in this role and duties will include coding of tickets, settlements, confirmations and queries. REF: 110

Both positions carry an excellent benefits package and good career prospects. Please contact in the strictest confidence NIGEL HAWORTH on 01-821 0495.

ACCOUNTANCY

FINANCIAL ANALYST Banker £18,500
World leader of top brand name seeks self-motivated, qualified accountant to report to their Marketing Financial Manager. Responsibilities include evaluating market performance, preparing financial plans and servicing information needs of senior management. Preferably with 2 years commercial experience, you will need excellent communication skills. REF: F/5

PROJECT ACCOUNTANT Surrey £16K
Career opportunity for a young qualified accountant in International Electronics Co. Reporting to the Management Accountant with responsibility for two major divisions, you will use your drive, flair and commitment to control existing and develop new projects in this exciting and expanding field. Minimum of two years experience and familiarity with spreadsheets is essential. REF: F/8

INTERNATIONAL

AUDIT SENIORS & CHARTERED ACCOUNTANT (ACCOUNTING SERVICES) New Zealand
For top practices in Auckland and Wellington.

Wide scope of responsibility and involvement plus opportunity for development and training within modern highly successful organisations. Sound experience within an innovative Practice is essential for both areas. Candidates, under 40 yrs should be ACA or FCA and be prepared to integrate completely into the New Zealand community. REF: 61/28926

AUDITORS Brussels £20K
First step towards line management. This High-Tech International Co. requires two graduated CAs to join their dynamic audit team. Based in Brussels, with extensive European travel commitments, you will need to be fluent in both French and German and have a minimum of 3 years post qualification experience. Demanding position with real prospects. REF: F/7



THE DRAKE INTERNATIONAL GROUP

IRELAND

APPLICATIONS ARE INVITED FOR THE POSITION OF

ASSISTANT SECRETARY

DEPARTMENT OF FINANCE

The post is one of two posts at this level in the Economic Section of the Budget and Planning Division of the Department of Finance. The appointee will have senior responsibility (under the Head of the Budget and Planning Division) of Irish economic, macro- and micro-economic research and the assessment of macro-economic effects of the Department for the preparation of short-term and medium-term macro-economic forecasts of the specific proposed policy changes, preparation of medium-term national economic and social plans, and income policy.

The successful applicant must have:
* A first or second class honours degree in economics, or equivalent;
* A thorough knowledge of all aspects of economic theory and policy at postgraduate or equivalent level;
* A detailed knowledge of quantitative economic techniques;
* Work experience at responsible levels in economic and/or related areas;
* The ability to quantify and to assess current and prospective developments in the international and domestic economies and to formulate policy.

Salary will be in the range: IR£24,744-IR£27,641.

Latest date for receipt of completed application forms: 12 June 1986.

Application forms and full particulars are available from:

THE SECRETARY, CIVIL SERVICE COMMISSION, 1 LOWER GRAND CANAL STREET, DUBLIN 2

Switch to Japanese Equity Research

A major International Securities House with a leading position in the Japanese Market seeks an able young analyst from a stockbroker or an institution to complement their expanding research team in London.

The position will involve close contact with analysts in Tokyo, visiting Japan regularly and liaising with the London based salesmen. This is an excellent opportunity to switch to an exciting growth market. Salary will not be a limiting factor for the right individual and long term career prospects are outstanding.

Please contact Emma Weir who will treat all enquiries in confidence.

Stephens Associates

Investment Search & Selection Consultants
44 Carter Lane, London EC4V 3BX, 01-236 7307
Representative Associates New York & Tokyo

Jonathan Wren

CORPORATE INFORMATION MANAGER

£ negotiable

Our client, an international credit rating agency, is staffing its new London office which will represent the company in both Europe and the Middle East.

An important factor in the smooth running of this operation will be the recruitment of a bi-lingual individual (English, French and German). The incumbent will be capable of responding to enquiries from investors on all securities rated by the agency, distribute press releases to the Euro-media, and provide liaison with analysts in New York. Background should include customer services.

Applicants aged 25 to 35 years, will possess an outgoing personality and an active interest in international finance and securities to provide in-depth information with tact and diplomacy. Contact Richard Meredith.

All applications will be treated in strict confidence.

SYDNEY

HONG KONG

Jonathan Wren

Recruitment Consultants
170 Bishopsgate, London EC2M 4LX. Tel: 01-623 1266

MANAGING DIRECTOR

West London **c.£50,000 inc. profit share**

- You are the true entrepreneur — motivated by profit and preferring to be rewarded by results.
- You are not necessarily an accountant but you understand what constitutes real profit.
- You are not necessarily a salesman but you perform most effectively in a sales-led environment.
- You do possess demonstrable experience of growing a business.

Your challenge is to develop a whole new activity for a profitable, dynamic plc within the communications equipment industry. With blue-chip clients, an existing framework and a prestigious name, you will employ your flair to add another successful Division to the group.

If you are looking for security, this may not be the role for you. But if you are a risk-taker you will be well rewarded with a generous basic salary, a performance related bonus, a company car and, in the medium term, an appointment to the Board.

Write briefly or telephone **Nicolas Mabin, Regional Manager**, quoting reference: **CG0172**. *This job is open to men and women.*

Management Personnel

Recruitment Selection & Search
10 Finsbury Square, London EC2A 1AD.
 Telephone: **01-256 5041** (out of hours: 01-809 2783)

LOUGHBOROUGH UNIVERSITY OF TECHNOLOGY

Department of Management Studies

LECTURER IN LAW AND PRACTICE OF BANKING

Applications are invited for the above established post. The primary responsibility will be to lecture to the undergraduate course in Banking and Finance, although the appointee will be expected to carry out a vigorous research programme. The appointee will also be an Associate Member of the Loughborough Banking Centre, a post-experience teaching and research centre established jointly with the Department of Economics.

Applicants should possess a relevant degree and/or professional qualification and banking experience. Initial salary will be in the lower half of the Lecturers' scale, £8,020 — £15,700 (under review from 1st April, 1986).

Further details and application form from Paul Johnson, Establishment Officer, quoting ref: B6-21M5. Applicants may telephone Professor Geoffrey Gregory (0509 263171, ext. 450) for informal discussion.

Loughborough Leicestershire

Treasury Planning Manager

Neg. to £28,000

Our client, an established and rapidly expanding UK bank, requires a Treasury Planning Manager to develop further its treasury activities.

Reporting to the Treasurer, and with the support of a small, high quality team, the successful candidate will be responsible for economic analysis, forecasting and advice on city markets; the development of balance sheet strategies and new products; bank and public sector credit, and country risk analysis.

Applicants, who will have a related degree and/or professional qualification, should have relevant treasury experience, ideally gained in a bank or investment institution, and must have the personal qualities and skills to make a major contribution to the direction and effectiveness of the treasury operations. Career prospects are excellent for the right person.

Candidates interested in this challenging role should contact **Fiona Collins** on 01-404 5751 or write to her, enclosing a CV, at 39-41 Parker Street, London WC2B 5LH, quoting reference 3635.



Michael Page City
 International Recruitment Consultants—London Brussels New York Sydney
 A member of the Addison Page PLC group

Gilt-Edged and Fixed Interest Sales

Our client, acknowledged as one of the leading London securities houses, wishes to recruit experienced individuals to further strengthen the gilt-edged and fixed interest sales teams for its primary dealership.

Candidates will be aged between 23 and 28 years and will have 2-3 years' experience of selling gilt or fixed interest stocks to UK and international clients.

A high performance is required and to attract and reward persons with the necessary skills an extremely competitive salary with bonus scheme and other fringe benefits are offered.

Please apply in absolute confidence to **J.F.T. Baines, Marlar International Ltd.**, City Office, 12 Well Court, London EC4M 9DN. Tel: 01-248 9614. Executive Search Consultants.

MONEY MARKET TRADER

London Based

Excellent remuneration

JPW

Recruitment Advertising

Our client, an autonomous subsidiary of a significant multi-million pound organisation, is one of the City's leading Investment Banks. The company has enjoyed consistent growth during the past few years and projections for the future are impressive to say the least.

The Money Market Trader function forms an integral part of our client's business and therefore performance is of key importance. They now wish to appoint an experienced Money Market Trader whose career to date can demonstrate above average performance.

The successful candidate will be primarily involved in CD, Bill and Deposit trading but will, in addition, be expected to make a major contribution to the already established trading team.

This key post carries an exceptional remuneration package together with comprehensive benefits and significant future prospects.

Candidates should apply, in strict confidence, listing any companies to whom applications should not be forwarded, to: **JPW Recruitment Advertising Ltd., Ludgate House, 107-111 Fleet Street, London EC4 2AB.**

A Leading Arab International Bank requires an EXECUTIVE MANAGER as Head of its Private Banking Division

Age Range: 35-40
Qualifications: Good degree, possibly MBA
Previous Experience: Several years experience in personal banking, investment services and securities. Previous employment should include work with or exposure to major U.S. and/or European Banks. International experience with special emphasis on exposure to Middle East customers. Familiarity with a strong marketing orientated business environment. Possibly some time as a member of a "high net worth" banking division.
Personal Characteristics: Mature, capable individual able to maintain the credibility of the function and work effectively with top management of the Bank. Dynamic and motivated person with excellent communication skills (total fluency in Arabic is a must), personal presence and integrity.
Location: At the Bank's Head Office
Compensation Package: Attractive and according to qualifications. Send your C.V. to: Box A0156, Financial Times 10 Cannon Street, London EC4P 4BY

Financial Management

Home Counties **c.£18,000 - £22,000**
 Plus car + benefits

Our client is Northern Telecom, the global leader in the design, manufacture and distribution of fully digital telecommunications systems and integrated office systems.

Currently their UK and European operations are undergoing a major development and expansion programme.

The Company now wish to strengthen their financial function by recruiting two graduate qualified accountants/MBA's to assume management positions in Policy, Planning and Financial Control.

These positions will offer the successful candidates unique opportunities for developing their careers either in the United Kingdom, Europe or North America. Previous experience gained within a large/multi-national company is essential.

Interested applicants should write, enclosing a full CV and quoting reference number 11/133 to:-

AGB Executive
 178 SLOANE STREET LONDON SW1X 9QG

Sales and Trading Australian Dollar Securities

Interesting Opportunity in an Exciting and Demanding Environment

Citicorp Investment Bank Limited is establishing a trading and sales desk in Domestic and Euro Australian and New Zealand dollar denominated securities in London.

As a member of a highly professional team based in London you will work closely with the securities teams in Australia and New Zealand. Ideally you will have a general sales or trading background, preferably with 3 to 5 years' dealing experience. Familiarity with Australasian markets is not essential but would be advantageous.

This is an excellent opportunity to join a successful, expanding unit and an attractive compensation package will be offered to the successful candidate.

Please write with personal and career details to: **Miss Hamelka C. Freese, Senior Personnel Officer, Citicorp Investment Bank Limited, 335 Strand, London WC2R 1LS.**



MURRAY JOHNSTONE LIMITED

Pension Fund Marketing

Murray Johnstone is one of the largest independent fund management groups in the UK with an excellent investment performance record.

Due to our current success, we require an additional pension-fund marketing executive to help support the promotion of our services to prospective clients through professional intermediaries.

We are looking for someone with sufficient knowledge and experience of investment management, maturity and communication skills to represent Murray Johnstone effectively to a knowledgeable and sophisticated audience.

It is envisaged that the successful candidate will spend an initial period becoming familiar with Murray Johnstone's approach to investment. It is essential that candidates can operate successfully as part of a team.

The appointment will be based in Glasgow but entails considerable travel within the UK. An attractive remuneration package will be negotiable for the right candidate.

Please write in confidence enclosing a full c.v. to: **J.R. Johnstone Esq., Managing Director, Murray Johnstone Limited, 163 Hope Street, Glasgow G2 2UH.**

International Recruitment Specialists for the Commodity Markets



A major London Commodity Trading House requires a Vegetable Oil Trader. The experienced applicant will have a proven track record in this field. He will be able to contribute positively to a successful established Trading Team.

An attractive salary package with usual benefits included will be made available to the successful candidate.

Apply in the strictest confidence to: **Mr. K. Jacob, Commodity Appointments, Telex No. 894038**

Commodity Appointments, Equinox House, **01-439 1701**, 115 Spinning Lane, London W1

Senior Dealer Investment Managers

£30,000 to £50,000

Our client is a highly regarded investment management group with over £2 billion in the UK equity market. They seek an experienced dealer to take up an important new position.

Probably aged 28 to 45, candidates should have sound experience of dealing in UK equities, ideally gained within stockbroking. Initiative, flair and management potential are essential qualities.

The position will involve working closely with senior management in formulating strategy, liaising with fund managers on day to day dealing and taking over responsibility for block trading. It is envisaged that this challenging appointment should appeal to a self-motivated individual who now seeks the scope to play a key role in the development of dealing activities for a well-known City company.

Please contact **Anthony Innes** or **Fiona Stephens** who will treat all enquiries in confidence.

Stephens Associates

Investment Search & Selection Consultants
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 Representative Associates New York & Tokyo

INVESTMENT ASSISTANT

LLOYDS UNDERWRITING AGENCY

Fast growing, successful and independent managing agency wish to appoint an assistant to the Investment Manager who will be involved in all aspects of the investment administration of institutional portfolios and Private Client funds. The ideal candidate will have a degree or good educational background preferably aged 21-28 with several years' experience in a similar capacity. This position offers good career prospects in the insurance industry with particular emphasis on the Lloyds Market.

Please send full CV together with details of current remuneration in confidence to:

C. G. Ward, Manager Designate, BARDER & MARSH SERVICES LIMITED, Duke House, 4-12 Tabard Street, London SE1 4JU

HARLOW UEDA SAVAGE LTD

are aggressively seeking young experienced foreign exchange staff for their overseas offices.

Suitable candidates should expect lively, interesting work. Employment is sought for the following financial centres:-

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If you feel you can fulfil the demanding requirements, please apply in writing, giving full details, to **Mr Noel Blows, Adelaide House, London Bridge, London EC4R 9EQ**, or phone 01-626 7890.

In order to facilitate a proper interview process with the local directors of these centres, in addition to Mr Blows, candidates are notified that interviews will not take place before mid-June.

SPOT FX DEALER

REQUIRED BY LARGE EUROPEAN BANK IN THE CITY

Candidates with a minimum of 3 years' active spot dealing experience in a major currency, and a strong educational background only need apply.

Write Box A0164, Financial Times 10 Cannon Street, London EC4P 4BY

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Excellent career prospects within the U.K. and international offices

TPF&C ACTUARIAL CONSULTANTS

LONDON £35,000 + BENEFITS

TOWERS, PERRIN, FORSTER & CROSBY, the expanding firm of International Actuarial Consultants and a major employer of Actuaries throughout the world, is seeking Senior Actuarial Consultants for its U.K. operations. Candidates, likely to be aged 30-40, should be qualified Actuaries with at least seven years' experience in all aspects of the design and control of pension/employee benefits plans. A practical knowledge of sophisticated computer applications and a language in addition to English would be an advantage. The ability to communicate in a clear, concise manner, together with commitment, energy and enthusiasm are considered essential qualities. The remuneration package will be attractive to those currently earning a minimum of £35,000. Applications, in strict confidence to: Mr Alastair McLean, FIA, ASA, Vice President, Towers, Perrin, Forster & Crosby, 110 Jermyn Street, LONDON SW1Y 6HB.

A challenging appointment, scope to advance to the main board within 3-5 years

FINANCE DIRECTOR

LIVERPOOL £24,000-£32,000 + CAR

BIBBY LINE LTD - EXPANDING IN SHIPPING, OIL, TRANSPORTATION AND FINANCIAL SERVICES
This appointment is in Bibby Line Ltd, which is the Managing Company of Bibby Line, and calls for accountants (C.A. or A.C.A.) aged 35-45 who have acquired at least 7 years practical industrial or commercial accounting experience and not less than 2 years heading the financial operation of a company whose turnover exceeds £10 million. The successful appointee will be responsible for the total finance function and will cover, through a small team, the treasury function, bank relationships, syndicated loans, mergers and acquisitions etc. The major bulk of work will centre initially on management information and new projects. A high level of commercial acumen and the ability to make a significant contribution to the company's continued development is important. Initial salary negotiable £24,000-£32,000, car, contributory pension, free life assurance, free family PPP, assistance with relocation expenses if necessary. Applications in strict confidence under reference FD109/FT to the Managing Director: ALPS.

Opportunity to set up training function from scratch - prospects exist to reach the Board.

TRAINING OFFICER

CITY £18,000-£25,000 + BONUS + MORTGAGE SUBSIDY

MAJOR INTERNATIONAL MERCHANT BANK

Applications are invited from candidates, aged 30-45, who have acquired not less than 7 years practical training experience, preferably in the financial services field or allied area, and at least 2 years actually running courses. Responsibilities will cover the implementation, co-ordination and planning of the Bank's training world-wide, involving establishing general induction courses and programmes for graduates and specialists in specific areas. Courses will take place both in-house and externally, using both internal personnel and external consultants. The ability to advise and guide senior management on meeting and achieving their staff training requirements is important. A lucid and positive approach plus the ability to set priorities is key to the success of this appointment. Initial salary negotiable, £18,000 - £25,000 + bonus, mortgage subsidy, non-contributory pension, free life assurance, free family medical cover, assistance with removal expenses if necessary. Applications in strict confidence under reference TD4422/FT, to the Managing Director: CJA.

35 NEW BROAD STREET, LONDON EC2M 1NH, TELEPHONE: 01-588 3588 or 01-588 3576, TELEEX: 887374, FAX NO: 01-638 9216.

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For further information call:

Louise Hunter 01-248 4864
Jane Liversidge 01-248 5205
Daniel Berry 01-248 4782

RECRUITMENT CONSULTANT

We are a well established consultancy, specialising in recruitment and search in Capital Markets, Treasury and Foreign Exchange, Stockbroking and Fund Management, both in London and overseas. Our client base is well established, comprising Merchant and International Banks, Stockbrokers, Food Management Companies and Pension Funds.

We are seeking an additional consultant who will:-
• either complement one of our existing areas of recruitment,
• or alternatively an established consultant in a different discipline, but whose recruitment activities are in the City/Financial Services sector.

The ideal candidate will have a minimum of two years consultancy experience, and be looking for the opportunity to enhance their career by moving to a highly professional and expanding consultancy. The salary package will be negotiable according to the individual appointed.

Applications should be sent in confidence to:-

Roger Parker Organisation 65, London Wall
London EC2 5TU
01-588 2580

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINDSOR

Financial Controller Director Designate

Hampshire c.£27,000, Car, Benefits

This British company is an international market leader in the development and manufacture of electronic inspection, measurement and protection equipment. Due to organic growth they intend to appoint an exceptional individual who can assume full responsibility for the strategic direction and control of the company's financial affairs. An emphasis on management accounts, consolidation of overseas subsidiaries, together with all aspects of producing yearly accounts is required. The position offers a Directorship on the main board within 18 months. Candidates aged 30-40 with a background in manufacturing should be FCA with proven financial management techniques and be able to offer a high level of commitment and self motivation. Outstanding career prospects and rewards can be expected for the right individual.

Males or female candidates should submit in confidence a comprehensive C.V. or telephone for a Personal History Form to P.E. Werth, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB, 01-734 6852, quoting Ref:49010/FT.

The British Investment Trust PLC PORTFOLIO MANAGEMENT

British Investment Trust, the Edinburgh-based general Investment Trust which will shortly be receiving substantial additional funds to manage, seeks additional Portfolio Management

PORTFOLIO MANAGER

This post demands proven expertise in the management of portfolios, preferably but not exclusively in the U.K. market. This experience will have been gained in an investment Trust, Unit Trust or similar financial environment. Education to degree and/or professional qualification level is desirable but not essential. A realistically attractive level of remuneration is envisaged and will include performance related bonuses, a company car and contributory pension scheme.

SENIOR INVESTMENT ANALYST

This post demands expertise based on several years successful experience as an analyst of investment situations. An attractive salary is envisaged together with the potential for advancement, after proved performance, to a more senior role.

Please telephone or send, in confidence, full C.V. to:-
Michael Hodgson,
Manager,

The British Investment Trust PLC, 46 Castle Street, EDINBURGH EH2 3BR. 031-225 2348.

GRACE OPERATIONAL AUDIT

Age 25/32 FF220,000 + PARIS base

We are a US international company with interests in chemicals, natural resources and consumer services with net revenues of \$7 billion.

We are looking for an Audit Senior to join our small selected international audit staff conducting mainly operational audits in Europe, S. America and Far East.

The ideal applicant should be a fully qualified accountant or business school graduate, have post qualification experience with major audit firm, possess the ability to communicate well at all levels, be fluent in English and have good knowledge of at least one European language. Single persons are preferred in view of the 75% travel content, with weekend return to base when in Europe.

Please write with a comprehensive CV to:
W. R. GRACE (FRANCE) S.A. 20, rue de la Ville l'Évêque, 75008 PARIS, FRANCE.

Junior Investment Manager

Foreign & Colonial Management Limited is an independent investment company managing over £1,500 million on behalf of investment trusts, unit trusts, pension funds, charities and private clients.

Our continuing growth calls for additional strength in our U.K. investment team.

The successful applicant will probably be a graduate, with 1-3 years experience in investment management, aged in the mid-twenties.

The position offers a considerable challenge for the right candidate and great potential for career development. It carries with it a minimum salary of £15,000 per annum.

Please apply in confidence to: Jeremy Tighe, Foreign & Colonial Management Limited, 1 Laurence Pountney Hill, London, EC4R 0BA. Tel: 01-623 4680.

Foreign & Colonial MANAGEMENT GROUP

Project Financial and Commercial Manager

c. £40,000 tax-free plus overseas benefits

Jeddah

This British owned Group is an established world leader in the planning, implementation and management of healthcare projects of any size or complexity within consistently high international standards.

The Financial and Commercial Manager will report operationally to the local Programme Director and will have the following key responsibilities: to ensure that the company's best commercial interests are served; administration of the contract and all necessary liaison with the client; implementing and maintaining financial controls of the project; ensuring that all correct legal and commercial procedures and obligations are followed as demanded in Saudi Arabia.

Candidates must be qualified accountants with a minimum of twelve years post qualification experience including five at senior management level. Middle East experience welcomed.

Tax-free salary as indicated; full overseas benefits including free accommodation; car; education allowance etc; two year contract.

Please write - in confidence - stating how the requirements are met to Lionel Koppen, ref. B.1027.

MSL EXECUTIVE SEARCH LIMITED
International Management Consultants
52 Grosvenor Gardens London SW1W 0AW

Unicef

THE UNITED NATIONS CHILDREN'S FUND
With Headquarters in New York and offices throughout the world, working with developing country governments to provide disadvantaged children and their mothers with the basic services they need to survive and develop, seeks

CHIEF OF FINANCE (New York Headquarters)

RESPONSIBILITIES: To assist the Comptroller in the formulation of the Organisation's financial policies and financial decision-making. Develop, when necessary, procedures for the overall financial management of UNICEF. Co-ordinate with other Sections and Offices the conduct of overall financial operations. Manage within UNICEF's policies and guidelines the financial transactions of UNICEF, New York Headquarters.

QUALIFICATIONS: University degree of equivalent in Finance and Business Administration. Specialised training in banking, including foreign exchange and international money market. Business administration with EDP familiarity. Readiness to accept functional missions to field offices as required. At least 10-12 years' practical experience in similar position. Fluency in English. Preference will be given to candidates with a further UN language.

Salary commensurate with qualifications and experience. Excellent benefits package. Qualified women are encouraged to apply.

Send detailed resumé to:
Michael K. Corbett (Ref. VN-781),
Chief, Recruitment & Staff Development Section

UNICEF

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(Closing date for receipt of applications)

GEMCO SALES PROFESSIONAL

Global Electronic Markets Company (GEMCO), a partnership of McGraw-Hill and Citibank, has a vacancy for a European Sales Executive based in London or Hamburg. This individual will join a successful team to assist in marketing the GEMCO electronic commodities trading system in Europe. Applicant must have sales and commodities markets experience. The primary requirements for the job are a good understanding of English, enterprise in seeking out, establishing, and developing potential customers, and extensive international travel.

Salary starts at \$40,000 with the opportunity to earn sales commissions in excess of that amount. Application in English to Mr. Brenton W. Harries, President and CEO, Global Electronic Markets Company, 437 Madison Avenue, 32nd Floor, New York, New York 10022, USA, Telephone: 212-593-1414, Telex: 420323 GEMCO UI.

Senior Foreign Exchange Dealer Frankfurt - West Germany

SECURITY PACIFIC is a leading US International Bank with assets of over \$3 billion dollars and nearly 700 branches worldwide.

In line with the major expansion of our global capital markets and treasury activities we shall expand our European Foreign Exchange activity and seek a further Senior Dealer for our Frankfurt Office.

The ideal candidate should have several years experience in the dealing room of a bank active in the Foreign Exchange arbitrage markets and, although German is not essential, it would be desirable. At an early stage, the selected applicant will have the opportunity to

manage independently a section within our dealing operation.

In order to attract the best dealing talent we offer a very competitive and specially tailored remuneration and benefits package.

For further information please call: Ely Friedrich in Frankfurt (69) - 7156202 or after business hours:

Klaus Roskopf in Frankfurt (69) - 422472 or write to us at Ullmenstrasse 30, 6000 Frankfurt, West Germany.



Accountancy Appointments

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London

£18-25,000 + mortgage etc

Highly prestigious and highly respected, our client is one of the largest financial groups. It offers excellent opportunities to ambitious Chartered Accountants aged mid/late 20s to make the transition from the Profession to Commerce.

You will join a high profile team undertaking operational reviews and appraisals of the group's activities, controls and information systems - a wide ranging brief which provides a thorough insight into the many facets of the group's business.

The scale and diversity of its traditional and developing businesses provide stimulating career progression opportunities. These are development positions enabling you to enhance and demonstrate analytical and communication skills in a highly computerised environment and, working with management at all levels, make a recognisable contribution to financial control.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/363/MF.

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For further information call:

Louise Hunter 01-248 4864
Jane Liversidge 01-248 5205
Daniel Berry 01-248 4782

TAX AND FINANCIAL SERVICES MANAGER

INTERNATIONAL BANKING c.£35,000

Our client is one of the largest London based banking corporations with worldwide operations. They now wish to recruit a manager for their small, high profile technical unit, which forms part of the International Division's Special Financial Services section based in the City.

Heading up a small team of experts in financial, legal and O.R. matters, the main thrust will be to provide tax and financial advice across the whole spectrum of banking services available to their major corporate clients worldwide. These services would include areas such as international leasing, the use of tax losses, group restructuring, off-shore financing, and the repatriation of

overseas profits, coupled with a strong emphasis on helping to devise and market innovative schemes and new products, requiring close liaison with tax, legal and accounting specialists worldwide.

Candidates, who should be graduate FCA's in their 30's, must have an impeccable professional background and a wide range of experience and vision in UK and international tax matters. A minimum three year contract will be offered plus car.

Please write, in confidence, with full details of your experience, quoting reference 3506/2, or telephone 01-236 8000 (Ext. 3549), to John W. Hills, Executive Selection Division.

PEAT MARWICK

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UK Manager

for New Zealand Investment Group c.£30,000-50,000 London

A significant New Zealand Investment Group with wide ranging interests in equity investment, manufacturing, trading and commercial property development is shortly to commence operations in the UK. This is a new position aimed at representing and developing the interests of the company in the United Kingdom and Europe.

A background in the financial intermediary sector, property development or similar investment/entrepreneurial activity, is necessary.

The income and benefits package is unlikely to prove a barrier and will be designed to meet individual needs. As the Managing Director will be in London during June 1986, applications setting out personal and career details should be forwarded immediately to Paul Carvoso at Macmillan Davies Recruitment Consultants, Kingsbourne House, 229 High Holborn London WC1V 7DA or telephone him on 01-242 6633.

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ALPS ACCOUNTANCY & LEGAL PROFESSIONS SELECTION LTD

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A challenging appointment, scope to advance to the main board within 3-5 years

FINANCE DIRECTOR

LIVERPOOL

£24,000-£32,000 + CAR

BIBBY LINE LTD - EXPANDING IN SHIPPING, OIL, TRANSPORTATION AND FINANCIAL SERVICES

This appointment is in Bibby Line Ltd, which is the Managing Company of Bibby Line, and calls for accountants (C.A. or A.C.A.) aged 35-45 who have acquired at least 7 years practical industrial or commercial accounting experience and not less than 2 years heading the financial operation of a company whose turnover exceeds £10 million. The successful appointee will be responsible for the total finance function and will cover, through a small team, the treasury function, bank relationships, syndicated loans, mergers and acquisitions etc. The major bulk of work will centre initially on management information and new projects. A high level of commercial acumen and the ability to make a significant contribution to the company's continued development is important. Initial salary negotiable £24,000-£32,000, car, contributory pension, free life assurance, free family PPF, assistance with relocation expenses if necessary. Applications in strict confidence under reference FD109/FT to the Managing Director.

ACCOUNTANCY & LEGAL PROFESSIONS SELECTION LIMITED, 35 NEW BROAD STREET, LONDON EC2M 1NH. TELEPHONE: 01-588 3576 OR 01-588 3575. TELEX: 887374. FAX NO: 01-256 8981.

ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT PLEASE TELEPHONE 01-405 7539

Gabriel Duffy Consultancy Chief Accountant (FINANCIAL DIRECTOR DESIGNATE)

PLANNED MAINTENANCE with a £12 million turnover, is the country's largest independent mechanical and electrical maintenance company, and is recognised as a leader in its field.

Due to continued growth and the need for greater management information, it has been decided to appoint a Chief Accountant. Based at the group Head Office in South West London, the successful applicant will work closely with the board and divisional management, in the production of regular forecasts and reports and the development and implementation of new management information systems.

The role will suit a young dynamic accountant with previous commercial experience, who wishes to develop his/her skills in a progressive and profitable organisation.

An excellent remuneration package is offered including a company car. But more importantly, this position offers the opportunity to work in a professional and demanding environment.

For further information please contact Darrell Smith, consultant to the organisation for this assignment on (01) 631 2288 day or (01) 444 9559 (evenings & weekends) or write in strictest confidence to:

Gabriel Duffy Consultancy, Financial Search and Selection, 31 Southampton Row, London WC1B 5HU.

Financial Controller

Hemel Hempstead c.£18,000 + car

A British subsidiary of a European holding company manufactures and imports specialist furniture which it markets UK-wide.

Rapid growth calls for the appointment of a flexible and self-motivated Financial Controller to play a vital role in the planning of the company's ongoing profitable development. Reporting to the Managing Director and a member of a small closely-knit senior management team, you will be responsible for all financial and management accounting functions... setting budgets, reviewing results against forecasts, and evaluating new business projects. The development of computerized systems is an important task.

This is a role for a strategist. It calls for an ambitious qualified accountant with well-developed business acumen and commercial flair who responds well to pressure. Please send full cv which will be forwarded to our client unopened. (Address to our Security Manager if listing companies to which it should not be sent.) Ref: R2108/F 1.

PA PA Advertising

Hyde Park House, 6th Knightsbridge, London SW1X 7LE. Tel: 01-225 6680 Telex: 27674

Financial Times
Controllorship prospects £17,000 + car
A successful PLC in SW1 offers a young graduate accountant a high profile role & development to consider.
Performance Review
Business Plans
Market Strategy
A first class remuneration information service is required for the main board members & senior operational management. Ref: 272.
Call or write, in confidence: 01-248 22023 after 5pm 01-920 0065. 1071 Bishopsgate Court, Old Bailey, London EC2M 4EL.

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Jane Liversidge 01-248 5205
Daniel Berry 01-248 4782

MANAGEMENT CONSULTANTS to £33,000+8hrs Nationwide	Market leaders in management consultancy seek to recruit ACMA or CIPFA qualified accountants to service diverse client portfolios. Candidates should be aged 27-35, have good degrees, wide ranging sharp-end commercial experience, strong personality, analytical ability and be proficient in computer services development and implementation. Candidates with health sector experience are particularly invited to apply. Ref: NJL.
COMPUTER AUDIT MANAGER to £30,000+Car London	A leading professional firm seeks a national computer audit manager to be responsible for the organisation of the service nationally in respect of staffing, quality standards and consultancy advice to clients. A candidate with ability and presence is likely to make rapid progress to partnership within a stimulating and demanding environment. Ref: DCS.
FINANCIAL CONTROLLER to £20,000+Car E. London	Fast moving trading company, an autonomous subsidiary of a well-known multinational, seeks to strengthen its general management team by the appointment of a qualified accountant aged 25-32. Candidates should have proven time, computer and commercial skills and be capable of warranting a directorship within the medium-term. Ref: MJH.
DIVISIONAL ACCOUNTANT to £20,000+Car C. London	An exciting opportunity within a marketing-orientated environment for young accountancy professionals with around two years post qualification experience. Interest in the design and implementation of management information systems, preferably within the FM.C.G. field, is essential as is the tenacity and ambition to succeed in a progressive world-wide organisation. Ref: CLW.
INVESTMENT SECTION c£20,000+8hrs City	High calibre graduate ACA sought by prestigious stockbroking subsidiary of a major investment house. Reporting to the Financial Controller this challenging new role will encompass all areas of reporting to board level plus systems development and management of line accountants. Superb career move for young ambitious candidates with sector exposure either direct or from the profession. Ref: JFH.
FINANCIAL ANALYST c£17,000+8hrs C. London	This major group with a presence in over twenty countries is seeking a young graduate accountant for one of its thriving divisions. The successful candidate will be responsible for group consolidations and the preparation of financial data using IBM PCs. An excellent track record with US accounting experience desirable for a rewarding career path. Ref: GGS.

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FINANCIAL DIRECTOR DARLINGTON £20,000 + CAR

United Automobile Services is a large and successful operating subsidiary of the National Bus Company, with head office at Darlington and is expecting to move into the private sector shortly, with an opportunity for a management led buy-out.

The company is reshaping to ensure a substantial market share of bus operations in the north-east of England, and with some 400 buses and coaches will operate local bus services, mainly in the counties of Durham, Cleveland and North Yorkshire, and have coach operations nationwide.

The need is for a qualified and imaginative executive, with commercial awareness and several years experience which should include the use of computerised systems, to exercise effective financial control of a company with an annual turnover approaching £25m.

You will be responsible for financial advice and information to the Board of the company, budgeting, costing and financial appraisals, and be controller of the management and statutory accounting functions; you will additionally undertake the formal duties of a Company Secretary and it is intended that the appointee will quickly prove suitable to join the Board of Directors.

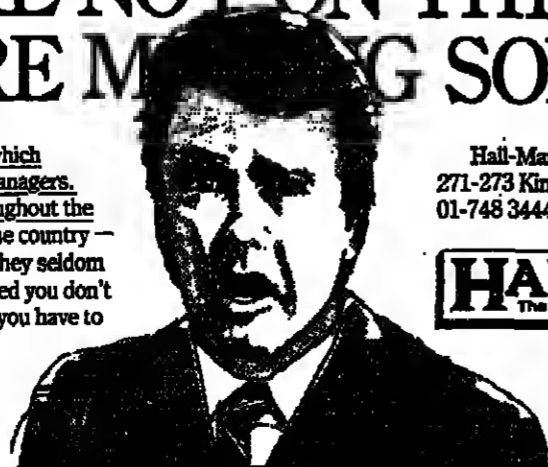
The commencing salary will be in the order of £20,000 pa and the package includes a company car and pension scheme membership. Re-location assistance will be given where appropriate.

Applications should be submitted under private and confidential cover to Mr S Senior, Managing Director, United Automobile Services Limited, Grange Road, Darlington, County Durham DL1 5NL giving particulars of age, education, qualifications, family (number of children and ages), and a summary, in chronological order, of work experience, including particulars of past and present appointments, and current salary.

UNITED

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Hall-Mark is the only appointments register which specialises solely in Accountants and Financial Managers. We have a constant demand from our clients throughout the U.K. - some of them the best known names in the country - for young, talented, ambitious accountants. But they seldom advertise their vacancies so if you are not registered you don't get the chance to meet them. Don't miss out. All you have to do is complete and return the coupon now.



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Accountancy Appointments

INSTITUTIONAL EQUITY SALES

UP TO £30,000 + PERFORMANCE BONUS

The company is a UK subsidiary of a major Stockbroker and is currently undertaking a substantial expansion in the UK market. They have particular expertise in the natural resources sector, and are now further developing their strengths in other sectors.

Working with a highly professional team of salespeople, you will be given considerable autonomy to expand and develop your own particular area. The company philosophy is very much that of the "entrepreneurial broker" and good selling skills are an essential prerequisite to the position.

You should be aged 25-30, have a sound academic background, good analytical skills and

perhaps 1-3 years experience within a broking environment. This could be an ideal first move for an ambitious analyst, or a junior commodity/equity broker who wishes to move into a dynamic organisation. The successful candidate will be given comprehensive training (if required) including a twelve month posting abroad.

Interested candidates should contact Sarah Beaumont on 01-629 8070 or send a detailed curriculum vitae (quoting Ref. L129) to her at Slade Consulting Group (UK) Limited, Metro House, 58 St. James's Street, London SW1A 1LD. All applications will be treated in strictest confidence.

London · Melbourne · Sydney · Brisbane · Adelaide · Perth · Auckland · Christchurch

SLADE CONSULTING GROUP (UK)

Deputy Chief Accountant

International Bank
City
c.£35,000 plus benefits

A major international bank, our client has a consistent growth record both internationally and in the London Branch for which we are recruiting. The bank now wishes to restructure the accounting function through the appointment of a Deputy Chief Accountant. Reporting to the Chief Accountant, the successful candidate will assume responsibility for the London Branch's reporting and control process. Key tasks will include the regular review and development of monthly reporting, management accounting and budgeting. Candidates should be qualified

accountants, aged between 28 and 40 and will have gained relevant experience in either a financial institution or an international accounting firm. Equally important in this role are personal qualities of energy, self motivation and the ability to respond quickly to changes in this highly competitive sector.

We are also looking for evidence of achievement in career to date and a high technical standard coupled with flair for this type of role. This will be a stimulating role in an international environment, offering the ambitious and successful financial

executive scope for further career development.

The remuneration package will be commensurate with experience and qualification but will not prove a bar for the right candidate.

Candidates should write enclosing a full CV with current salary quoting reference MCS/1009 to Michael Madgwick, Executive Selection Division, Price Waterhouse Management Consultants, No.1 London Bridge, London SE1 9QL.

Price Waterhouse

Manager Internal Audit

C. London & The World c.£21,000 + car + benefits

Our client, a world leader in high technology, operates in over 60 countries. Turnover, now exceeding £850 million, has more than doubled in the past two years. The challenges offered by such a dynamic organisation are considerable.

Internal promotion and continued growth of the department demands the appointment of a well qualified accountant, aged c.30 years, who has substantial audit experience gained in a commercial environment. The world-wide brief involves working with management to maintain high standards of internal controls over the business. Thus, imagination and flair, combined with outstanding professional ability is required.

This is a unique opportunity to exercise your commercial judgement within a successful group on the world stage. Career opportunities within this developing group are outstanding. Relocation expenses are available where appropriate.

Write with full CV and daytime Tel.No. quoting ref. FT/105 to Patrick Donnelly.

tfi The Finance Index
Financial Recruitment Consultants
11 Palmer Street London SW1H 0AB Tel: 01-222 5169/118

Treasurer/Chief Cashier Oil Industry

c. £12,000 p.a.

Jawaby Oil Service has been established by the Libyan Oil and Petrochemical Industry to provide an across the board service to individual operating companies.

We are now looking for a Treasurer/Chief Cashier to run our cash office function based at our modern prestige offices in the West End.

Your main objective will be to administer, control and report on clients' funds, ensuring that they are used and invested in the most advantageous way. Other duties include responsibility for the day to day running of the cash office with all its reconciliations and recordings in addition to monitoring and recommendations regarding the holding of dollars against sterling with consideration to exchange and interest rates, cash forecasting etc.

Age 29+, you should be a part qualified accountant with at least 3 years experience of managing a complete cash function in a multi-currency environment or have a strong banking background and possess an AIB qualification.

We offer excellent conditions of service, along with a first class working environment and a wide range of other benefits.

Please write with full details of your experience to the Personnel Co-ordinator, Umm Al Jawaby Oil Service Ltd, 23, Cavendish Square, London W1M 0NF.



JAWABY OIL SERVICE

CHIEF ACCOUNTANT Hertfordshire

28-35 c£22,000 + Car

The group, a market leader in the photographic processing industry, requires a Chief Accountant.

Reporting to the Financial Director you will lead a well established department and be responsible for a large number of staff and for all aspects of the company's accounting and reporting requirements. The accounting systems are computerised.

Applicants should be qualified accountants with commercial experience and have sound knowledge of computers. Considerable importance is attached to previous staff management experience.

The salary of c £22,000 + car includes an annual bonus, around one month's salary, and there are attractive fringe benefits.

Please send a comprehensive career résumé, including salary history and daytime telephone number, quoting ref: 2669 to W.L. Tait, Executive Selection Division.

Touche Ross
The Business Partners

Hill House, 1 Little New Street, London EC4A 3TR. Telephone: 01-353 8011.

Financial Director Basingstoke

c£35,000 + Car

Our client seeks a tough, practical, level headed Financial Director to run a tight ship. The company is involved in commissioning and selling high technology equipment through a nationwide network of branches and sales have grown strongly and currently are c£10m pa. Poor profit performance however, has caused the board to be restructured. In order to maintain growth new equity funding has been provided by blue chip institutions.

We seek applications from qualified accountants, 35/45, with a strong MIS background who are proven achievers, capable of working under considerable pressure. A track record which embraces manufacturing would be an advantage. An attractive salary and benefits package will be negotiated. Please contact R. J. Welsh.



Reginald Welsh & Partners Ltd

123-4 Newgate Street London EC1A 7AA Tel: 01 600 8287

Financial Director

CAREER OPPORTUNITY USM PROSPECTS

£27K plus benefits. Company car, bonus, share option scheme.

Our company is a progressive and fast expanding independent company operating in the fields of communications and publishing. We have won a number of national export awards, having displayed exceptional growth in our first five years, and are on course to seek a USM placement within the next two years.

As part of the company's continuing development plan we now wish to appoint a financial director who can play a full and active role in the company's strategic planning and who will be responsible for the entire accounting and management information requirements.

A high degree of commercial flair and first hand knowledge of computer based systems is essential. Other requirements include a strong track record in financial management, proven commercial experience, as well as an understanding of international business. Candidates will be qualified accountants with first class training, a degree is preferred, and aged between 25-35. This position will appeal to accountants with outstanding ability who wish to use their drive and initiative to the full. It represents a genuine opportunity to contribute to, and be rewarded by, success in a dynamic environment. Other rewards include a salary of £27K, a company car, a performance related bonus and a highly attractive share option scheme. Please apply in confidence, giving comprehensive career, salary and personal details to: The Managing Director, Beacon Publications PLC.

BEACON PUBLICATIONS PLC

Young Chartered Accountants £40,000 to £50,000

A partnership of ambitious Chartered Accountants with two established offices in Staffordshire, are looking for additional partners to join them.

They require additional partners to join the firm who share their belief that hard work and service to clients will bring expansion and financial reward to the firm. Successful applicants will have a probationary period of employment leading to partnership in one year. No payment for goodwill is required and the working capital is provided by the partners. Applications in writing to Box No. F6529 All of which will be acknowledged.

FINANCIAL CONTROLLER/ADMINISTRATOR

With exceptional ability, required to co-ordinate and control all financial aspects of leading fashion manufacturers, situated in W.I. The right applicant will require experience, dedication and desire to succeed. A knowledge of the fashion trade and computer operations would be an advantage. Excellent salary and first class fringe await you. Write with full details and CV to: Box 4079, Financial Times, 10 Cannon St, London EC4P 4BY

Hoggett Bowers Executive Search and Selection Consultants

BIRMINGHAM, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINDSOR

Financial Controller

Technology Products Northern Home Counties c. £34,000, Bonus, Car

In response to a demanding and dynamic market, this expanding company has embarked upon a major investment programme to complement its ongoing and vigorous product development policy. The Financial Controller will play a significant role in the efficiency and resultant profitability of this high tech business, and have particular responsibilities for developing and controlling the management and financial information systems which are computer-based. A qualified accountant, preferably a graduate, aged 28-35, the successful candidate will have a strong appreciation of manufacturing and distribution systems coupled with an ability to influence senior management colleagues on effective business decision making. Creative thinking is a necessary attribute called for in this demanding role. Opportunities for advancement within the multi-million pound group are excellent.

Male or female candidates should submit in confidence a comprehensive C.V. or telephone for a Personal History Form to J.R. McCallan, Hoggett Bowers plc, Albany House, Hunt Street, BIRMINGHAM, B5 4BD, 021-622 2961, quoting Ref: 2733/FT.

QUALIFIED ACCOUNTANTS

£16k plus Car Northolt, Middx.

A well-known international Group in West London, with diverse interests in the U.K. and Europe, are looking for ambitious Accountants in their mid-20's with Audit experience wishing to develop their careers in Financial Management.

Successful candidates will initially join the Group Internal Audit Department which is responsible for providing a service for all the Group's various Companies on a world-wide basis.

Candidates must therefore be prepared to travel. After at least 2 years in this department there will be the opportunity for advancement to Financial Management positions within the Group.

The Group operates a Contributory Pension Plan, Life Assurance and Medical Scheme.

Please reply in confidence quoting reference IA/53 to: Norman Rayner Associates Limited, 2 The Nelson Rooms, 68 High Street, Weybridge, Surrey KT13 8BL. Tel: Weybridge (0932) 59482.

NORMAN RAYNER ASSOCIATES LIMITED
Executive Recruitment Consultants

FINANCIAL DIRECTOR (DESIGNATE)

Required by expanding contemporary publishers embarking upon maximum growth of an already substantial share in their U.K. and Export markets. Reporting to the Managing Director the responsibilities are for all aspects of finance, accounts, investment, and currency management, whilst helping to lead an enthusiastic management team. Above all the successful candidate must be able to contribute substantially to the commercial as well as the financial development of the business.

Candidates aged thirty to forty-five must be qualified Accountants with several years experience within a commercial environment, involving inter-company and international accounting, group accounting, a working knowledge of D.P. systems, and Company Secretariat work.

Candidates must have proven management and organisational ability, operating with a "Hands-on" style. An attractive, appropriate remuneration package will be offered including a company car. Excellent future prospects.

If this is the career move for you, apply in writing with full C.V. to: T.S. MEIKLE, JOINT MANAGING DIRECTOR, ANABAS, BRIDGE CLOSE, ROMFORD, ESSEX, RM7 0AU.

FINANCIAL CONTROLLER

£25,000 pa plus car, plus benefits

Our client is a well established private company which is a major force in the Motor Industry. Based in the West Country, the company requires a dynamic accountant preferably with some experience in the industry to report directly to the board and control the whole accounting function.

Candidates should be mature and experienced with a proven commercial background gained in a computerised accounting environment.

The company offers a comprehensive remuneration package and considers the appointment an excellent opportunity for someone wishing to develop a long term career in an interesting industry.

Please send details of your career to date to: Martin D. Brown, Solomon Hare & Co., 16 Union Street, Bristol BS1 2DQ.

BUSINESS ACCOUNTANTS

City £20 - 25K + Car

Our client is one of the most respected and prestigious banking groups in the City. A major sub-group within it, which itself has over four hundred staff, is currently preparing for deregulation. A structural review of the finance function has given rise to two new positions. The requirement is for two top quality business men/women who can confidently comply with the following:

- (1) A Graduate Chartered Accountant with good academic record and aged 25-28 years.
- (2) Large firm training that included fast progress in responsibility level.
- (3) One to three years' post qualification experience that contains banking/stockbroking/City exposure.
- (4) Possess a balanced combination of commercial flair for business development with highly competent technical skills.

The main responsibilities undertaken in these high profile roles will include strategic/business planning, M.I.S., financial reporting and treasury.

Reporting Direct to Board level these positions will not be for the faint-hearted and only high potential A.C.A.'s interested in a senior management banking future should apply. Preliminary interviews will take place in the next 2/3 weeks. In the first instance and in complete confidence please contact Chris French at the office below or call him outside office hours on 01-288 7322.

Fleet Recruitment
Financial Recruitment Specialists
40-43 Fleet St, London EC4Y 1BT
Telephone: 01-583 8613

Accountancy Appointments

Divisional Financial Controller

Northern Home Counties

A prominent and profitable part of a major British plc, this division employs 1,600 in the UK, manufacturing a range of high-value products for industrial customers. Reporting at general manager level and a member of the management committee, the role will involve responsibility for 100 staff working in the accounting, DP and materials management functions. A major IT study is in progress, and the financial controller will have a major input to the specification and implementation of new reporting systems, in

addition to the financial planning and control of the division's operations. This substantial post will attract qualified accountants at least in the mid-30s with experience of working at management level in a large-scale and sophisticated enterprise.

There is considerable scope for career development within the group. Remuneration will interest those currently earning up to £25,000 and will include the senior executive benefits of a blue-chip employer.

Please send full cv indicating current salary, to confidence, to Michael Egan, Ref: AA26/8874/PT.

PA

PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6000 Telex: 27874

Barrow/Hepburn Group Chief Accountant

Worcester

c.£22,000 + car

Barrow/Hepburn Group plc, a successful and well established group with diverse interests in the UK and overseas which include engineering manufacture and distribution, chemicals and consumer related products. This appointment is based at the company's head office.

The position offers considerable scope and variety as a member of a small, enthusiastic and commercially orientated senior management team. You will report to the Group Finance Director and with the assistance of a young, part-qualified accountant will be responsible for:

- * Preparation of interim and year end statutory accounts including technically complex consolidations
- * Supervision of the production of group monthly management accounts

* Consolidation of computer based budgets and operation of budgetary control system

* Cash Management and forecasting

* Involvement in acquisition appraisal and investigations

It is an excellent opportunity for young qualified accountants, probably aged late 20's or early 30's, to broaden their experience with a growth minded company. You should have at least two years post qualification experience with a thorough appreciation of all aspects of financial and management accounting. Experience in a manufacturing environment would be an advantage. Equally important is a practical approach, the personal qualities to make a positive contribution in a small team and the ability to establish an effective working

relationship with the operating company accountants, most of whom are qualified.

The position carries a competitive salary, which will be negotiated to attract the right candidate, company car, bonus and share opportunities and removal expenses, where appropriate, to an attractive location.

Candidates should apply in writing enclosing a full CV and indicating current salary, quoting reference MCS 8635, to Mike Oliniski, Executive Selection Division, Price Waterhouse Management Consultants, Livery House, 169 Edmund Street, Birmingham B3 2JB. Tel: (021) 236 5011.

Price Waterhouse

Financial Controller

(Director Designate)
c.£20,000 + Car Coventry

This is a new appointment with a rapidly expanding and highly profitable specialist engineering company. Privately owned and with ambitious plans for future development—

including USM listing—the company is now seeking a Financial Controller, with Director potential to further strengthen its management team. Reporting to the Chairman and Managing Director you will be responsible for all aspects of financial management and control. Specific emphasis will be placed on the enhancement of accounting procedures and standards and the development of financial and manage-

ment information systems. You'll also be expected to provide a company secretarial service and play a significant role in the broader commercial aspects of the business.

The requirement is for a qualified accountant aged 30-45 with a broadly based accounting background ideally gained within a small to medium size engineering/manufacturing company. The nature of the business and the company will require a practical, 'shirt-sleeves' approach on occasions, combined with a professional and totally dedicated attitude. Experience of computerised business systems is considered essential.

Potential for future career development is excellent in line with company growth and it is anticipated the person appointed should achieve Director status within twelve months.

Assistance with relocation will be considered in appropriate cases.

Candidates should apply in writing enclosing a full CV and indicating current salary, quoting reference MCS 8633 to Philip Gardner, Executive Selection Division, Price Waterhouse Management Consultants, Livery House, 169 Edmund Street, Birmingham B3 2JB.

Price Waterhouse

Finance Director (Designate)

Salary £30,000

Our client is a UK based international trading company which is part of a very major privately owned group with interests spanning 4 continents.

Reporting to the Managing Director, you will be responsible for total financial management and liaison with sources of finance.

You will have had experience in an export or trading environment and will be responsible for treasury management, reporting, tax, audit, administration and investigation of acquisitions and new business development. You will also represent the company in its dealings with its bankers and other sources of finance.

This is an outstanding opportunity for a dynamic, young, imaginative and well rounded individual who will be expected to play an important executive role in a business with turnover in excess of £15m, and climbing fast. Salary will not be a limiting factor to the right man and an outstanding benefits package, including car, will be offered to the successful candidate.

Please send a detailed c.v., including daytime telephone number, in strict confidence to:

Iain Laird at Management Appointments Limited (Search and Selection Consultants), Finland House, 56 Haymarket, London SW1Y 4RN. Tel: (01) 930 6314.

MAL

Management Appointments
Limited

ACCOUNTANT

£18,000 plus

Based in London W1

The Alfred Marks Group, part of the Swiss-based Adia Group of Companies, are Britain's foremost recruitment consultancy. We are looking for a qualified Accountant, aged mid twenties to thirties with at least 2 years' experience in Industry or Commerce, to join our head office management team, reporting to the Financial Controller.

The successful applicant will be in charge of 4 staff and will be responsible for checking computer print-outs, preparing accounts to deadlines, both Management and Financial.

In our business, the need to communicate well at all levels is essential. If you believe you have the right qualifications and qualities for this Management post, please send full CV to:

Victoria Philpot, Personnel Manager
ALFRED MARKS BUREAU LIMITED,
Adia House, 84/86 Regent Street,
London, W1A 1AL.

ALFRED MARKS

THE J D WETHERSPOON ORGANISATION LTD

Financial Controller

c. £16,000 + share options

Having commenced trading in 1979, we currently operate twelve very successful free houses in north London and plan to open a further five outlets in 1986 prior to obtaining a stock market quotation in early 1987.

We seek a qualified FCA reporting directly to the Managing Director to take full control of our accounting functions involving:

- the refinement of existing book-keeping and financial information systems to bring these up to public company standards
- the supervision of our small head office staff
- liaising with suppliers, auditors, bankers, stockbrokers etc.

You will be aged 25-30, have a good degree, be personable with the ability to communicate well and have the ability to evolve and develop financial systems as we expand.

Please write enclosing full CV to:

Tim Martin, Managing Director
J D WETHERSPOON ORGANISATION LTD
17-19 Archway Road, LONDON N19 3JX

TRAIN IN RECRUITMENT CONSULTANCY

PEMBROKE & PEMBROKE

Newly/recently qualified Chartered Accountant with business acumen, to join International consultancy to specialise in Financial posts in the United Kingdom and overseas. Early autonomy offered at a salary of £20,000 pa.

76 Cheapside, London EC2V 6EE 01-236 0011

Recently Qualified Accountant

An environment for your skills to grow

Surrey c. £16,500 pa + car

Food Brokers Ltd, is Britain's largest and most successful sales, marketing and distribution company in the grocery, CTN and chemist trades. Now celebrating our 25th year, our sales turnover is in excess of £100m and we represent many big names including Britvic, Ferrero Rocher, Liff Lemon Tea, Mellitta, Fritula and TCF.

Because of continued planned expansion, we're now looking for an accountant to join our top financial team at our office in Leatherhead, Surrey.

This is a new position, calling for a new breed of professional. Someone able to combine above-average abilities as an accountant with a business-driven approach which will enable you to cover areas such as monthly accounts for our Board, budgeting, statistical reports, balance sheet control, financial reviews, computerised programmes and ad hoc investigations.

To handle this level and variety of interesting responsibilities, you'll need to be a recently qualified ACA/ACCA/ICMA, probably aged 25-33, with previous practical accounting experience, preferably within a commercial organisation. Adaptable, flexible, and able to fit into and help run an extremely busy Financial Department, perceived as a direct support to the overall marketing and sales effort.

Some initial induction training will be given, but we see your role as developing into all areas of the finance function—giving you the widest possible base of experience.

In addition to an unusually high level of interest and job satisfaction, and excellent further career prospects within Food Brokers Ltd., this position offers a highly competitive starting salary plus a car, BUPA, contributory pension scheme and free life assurance.

To apply, first send your CV to: Victor Cracknell, Personnel Director, Food Brokers Limited, Milburn, 3 Copse Lane, Egham, Surrey KT10 9EE



Acquisitions Executive

c.£19,000 + car

N.London

Since their USM launch 2 years ago, this progressive group of companies has undergone rapid expansion and diversification. The profit forecast for '86 has increased three-fold.

An excellent opportunity exists for an ambitious ACA whose aim is Directorship before the age of 30.

Based within their high growth FINANCIAL SERVICES DIVISION, you will carry out business analyses and investigations into target companies and provide a full commercial service to an increasing client portfolio. From there you will quickly take up a Board appointment within one of a diverse range of business areas.

For more information please call Jennifer Staddon. Tel: 01-242 6321

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MINSTER EXECUTIVE LTD

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Head of Audit Services

Following an internal promotion a major national building society wishes to appoint a new Head of Audit Services.

- **RESPONSIBILITY** is to the Deputy Chief Executive for developing the society's audit strategy, for providing internal audit services through a department of 35 and for contributing to the design of new computer-based systems throughout the society.

- **THE NEED** is for a chartered accountant who can demonstrate a computer audit speciality either in the profession or in a commercial environment.

- **SALARY** will be around £24,000 plus financial sector remuneration benefits. Preferred age 30-38. Location: Yorkshire.

Write in complete confidence to:

St. James's Corporate Consulting
Dept. 20, St. James's House, 47 Red Lion Court,
Fleet Street, London EC4A 3EB

FINANCIAL CONTROLLER (Director Potential)

ENTREPRENEURIAL PROPERTY PLC

c.£27,500 + car

Based in NW London, the group is very active in the acquisition, development and management of residential and commercial property throughout London and the Home Counties. Growth has been consistent and profitable, culminating in a full listing and successful offer for sale last year. As a result, considerable additional investment activity has occurred and will continue into the foreseeable future.

This is a new appointment which has arisen from the need to monitor and control the expansion and from the continuing demand for improved profitability and efficiency. The first priority is to prepare and implement a cost effective, responsive office information technology strategy, to take the group into the 1990's. Beyond overall responsibilities for the property management function, a small efficient accounting department, and the office administration routines, the role will play a key part in increasing the

profits of the company through involvement in the group's acquisition activities.

Candidates will be qualified accountants with a track record of achievement in the smaller operating company environment. In addition to sound technical accounting skills, a commercial approach coupled with experience of the City and of financing generally is important.

A flexible attitude, the ability to work well under pressure and within a team environment are all essential to fit in with the existing highly professional management style. Successful performance will lead to a Board appointment and a salary package which may include share options. Age: probably around 35.

To apply, please write enclosing personal, career and salary information to:

Ian Tomlinson, Executive Selection Division,
Hacker Young Management Consultants,
St. Albans House, 2 Fore Street,
London EC2Y 5DH.

Hacker Young
MANAGEMENT CONSULTANTS

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Thursday June 5 1986

REID & TAYLOR
THE WORLD'S MOST
EXPENSIVE TWIST SUITING
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Norsk Hydro may bid for Saga

By Fay Gjester in Oslo

NORSK HYDRO, the Norwegian industrial and energy group, is understood to be considering a counter-bid for Saga Petroleum, the Norwegian independent oil company recently involved in merger talks with Elf Aquitaine Norge, Norwegian offshoot of the French concern.

Hydro itself will not comment on the rumours - which have been widely reported in Norway. It is clear, however, that significant policy issues have been raised by the Elf/Saga talks, and the Government could face some awkward choices.

All leading political parties in Norway have agreed that Norway is best served by having three of its "own" oil companies independent of one another. Saga, Statoil (100 per cent state-owned) and Norsk Hydro (51 per cent state-owned) have thus been given specially favourable treatment in a succession of Norwegian licensing rounds.

It would not be easy for any government to approve a merger which would hand Saga's privileges to a foreign-dominated company. A takeover by Hydro, instead, might seem preferable - although it would reduce the number of Norway's home-grown oil companies to two.

A complicating factor in any merger between Elf and Saga is that Elf of Sweden already holds 20 per cent of Saga's 17.75m shares (par value Nkr 60 a share). This means that, even if Elf agreed to accept a minority share - say, 49 per cent - of a new merged company, foreign interests would still be in the majority.

Gencor loses another top executive

By Jim Jones in Johannesburg

MR BASIL LANDAU has become the second executive to leave Gencor, South Africa's second largest mining house, to resign since the appointment of Mr Derek Keys as chief executive a month ago.

Mr Landau's early retirement follows only a few weeks behind that of Mr Johan Fritz, the executive director responsible for mining operations.

In the two years before Mr Keys' appointment, Gencor had been managed by a five-man executive committee following a failure to find a replacement for Mr Ted Pavitt, who retired as chief executive in 1984.

It was believed one member of the executive committee would eventually be appointed chief executive, but Gencor and Southern, its controlling shareholder and South Africa's second largest insurance company, appointed Mr Keys from outside the group.

Mr Landau joined Union Corporation, the mining house taken over by General Mining to form Gencor, in 1975. Before joining Union Corp, Mr Landau had been managing director of Leyland South Africa, which was then in decline and in which only a small factor in the local car market.

Mr Landau was responsible for management of Gencor's industrial operations, many of which have suffered large losses and needed considerable refinancing in the past two years.

Sappi, the paper maker, suffered major cost overruns in its recently completed expansion; Tedex, a leading manufacturer and distributor of electrical products, suffered foreign exchange and trading losses.

Dornier joins Webster bid for Canadair

By Robert Gibbins in Montreal

MR JUSTUS DORNIER, the West German industrialist, has joined the Webster family interests of Montreal in a consortium bid for Canadair, the aircraft and defence products group being privatised by the Federal Government.

The consortium of Canadian Aerospace Technologies is 38 per cent owned by Mr Dornier, 25 per cent by Mr J. Howard Webster, and the balance of the stock will be issued to the public.

Mr Dornier is a former director of the German aircraft firm Dornier, now a subsidiary of Daimler-Benz.

Four other companies are seeking Canadair, including Bombardier, the snowmobile and heavy transport manufacturer, Magna International, a major motor parts group, Fleet Aerospace, an aircraft component group, and IMP Group

Armco and US Steel to combine oilfield supply operations

By William Hall in New York

US STEEL and Armco, two of the biggest US steel companies, are to combine their loss-making oilfield supply and service operations. The resulting company will have annual sales of close to \$1bn, ranking it as one of the world's biggest operators in the sector.

The two groups have signed a letter of intent to establish an equally owned joint venture between Armco's National Supply and US Steel's Oilwell divisions. The proposed combination is the latest evidence of the effects of overcapacity in the world's oilfield services industry, caused by the dramatic drop in oil exploration following the slump in prices.

Crude oil futures prices on the New York Mercantile Exchange are currently trading at under \$14 a barrel and several analysts believe that they could drop back to \$10 or \$12 a barrel over the next couple of months. This compares with over \$30 a barrel a year ago. The slump in prices has caused a sharp drop in business for companies like National Supply and Oilwell, whose operations are geared to servicing the oil exploration industry.

The two companies said the combining of the two businesses would "permit a more cost-effective utilisation of existing assets." The companies manufacture and distribute a wide range of oilfield drilling and production equipment and supplies.

Armco's National Supply is the larger of the two companies and the largest of its kind in the US. It employs 2,400 people in 128 stores and other facilities around the world. Sales last year were \$530m. At the peak of the US oil drilling boom, in 1982, when more than 4,500 rigs were at work, National Supply employed 13,400 people. Its parent has been forced to take heavy write-offs on its business in recent years. The number of active drilling rigs in the US fell to 723 last week, against 1,821 a year ago.

US Steel's Oilwell division employs 1,200 in 32 facilities worldwide and is the third largest company in its sector.

Analysts estimate that the two companies are working at no more than 25 per cent of capacity. It would not comment on the scale of possible job losses which would result from the merger and could not say whether there would be any more write-offs.

The joint venture is expected to be concluded by the end of the year, subject to the execution of definitive agreements, various closing conditions and approval by the boards of both companies.

K mart to install video-data network

By Paul Taylor in New York

K MART, the second largest US retail group, and GTE, the US telecommunications group, yesterday announced plans to build a \$40m satellite-based private, data and video communications network.

The system, which will provide data and video communications between 28 mart's headquarters in Memphis, Miss, and its 1,100 regional stores, will be one of the largest private networks ever built. Installation of the system will begin immediately and is due for completion in late 1986.

The K mart network will be the first major application of GTE's recently introduced SkyStar data network-service which allows interactive communications between thousands of geographically dispersed locations, and is designed to combine the "latest in satellite and packet-switching technologies."

Mr Bernard Fauber, K mart's chairman and chief executive, said: "This state-of-the-art network will enable K mart International headquarters to communicate more quickly, efficiently and economical-

ly with our 2,100 K mart stores nationwide."

Mr Fauber said the network would speed up credit card verification at checkout counters and enable the group to improve store product mix by tracking buying trends.

The network will also combine existing communications systems between computer headquarters, the stores, six regional offices and 10 distribution centres. The system was designed jointly by two GTE subsidiaries - GTE Spacenet and GTE Teleset - which are part of its diversified products division.

GTE Spacenet will provide satellite capacity and the earth-station network including video transmission and receiving equipment, while GTE Teleset will supply switching equipment and a centralised network control centre.

K mart reported fiscal 1985 sales of \$22.4bn. It owns and operates more than 3,200 department and specialty retail stores in all 50 US states together with operations in Puerto Rico and Canada.

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GERMAN VEHICLE BUILDERS TO CONTINUE JOINT VENTURE

MAN and VW renew truck pact

By Kenneth Godding, Motor Industry Correspondent, in Munich

MAN COMMERCIAL Vehicles, West Germany's second-largest heavy truck producer and Volkswagen, the car group, have renegotiated their medium truck joint venture which has so far failed to live up to expectations.

This was revealed yesterday by Mr Wilhelm Lochte, chairman of MAN, as his company launched a new range of heavy trucks, called the F90, which will replace existing models over the next two years.

MAN invested DM 350m (£110m) on the F90 trucks, which have new cabs, chassis and suspension systems. Mr Lochte says they will play a crucial role in the company's drive to boost its share of the West European market for trucks over 15 tonnes gross weight from the current 7 per cent to 10 per cent within three years.

The first F90 trucks, at the top end of the range, go on sale in continental European markets next week.

The VW-MAN co-operation dates back to 1979 when trucks between six and 10 tonnes gross weight were launched. It was due to end next year.

Under the new terms, production of all the vehicles will be at MAN's factory at Salzgitter near Hanover. VW insisted in the previous contract that 70 per cent of assembly was at its Hanover factory.

However, VW has reorganised its production arrangements and Hanover is now fully employed producing vans.

The transfer to Salzgitter should be completed by the end of this year. The companies will continue to share production of components for the joint ranges.

There have been doubts about continuation of the project which fell far short of the original targets. The partners hoped for an annual output of 11,000 vehicles, including 10,000 for export. But production had never been above 5,000. Last year the joint venture sold 3,700 vehicles, but Mr Lochte said this should improve to more than 4,000 in the current year.

The project is now breaking even financially, he added, and consolidation of production at one site would bring further economies. The partners have for the time being given up the idea of selling the joint range vehicles in the US. Mr Lochte

said the dollar-D-Mark relationship made exporting built-up trucks from West Germany not a viable proposition.

MAN was recently absorbed completely into GHH, West Germany's largest engineering group, and the commercial vehicle division was established as a separate subsidiary.

In its last independent financial year - to end June, 1985 - MAN reported a small profit of DM 32m. Mr Lochte said the commercial vehicle business did much better in the current financial year and the progress would speed up in 1986-87.

In 1985, MAN produced 18,395 trucks over 15 tonnes, up from 15,334 and the year output should reach 20,350, he said. This compares with a break-even level of annual output.

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Interferon makers win clearance

By Tony Jackson in London

HIOGEN and Genentech, two West Coast biotechnology companies, have both received clearance from the US Food and Drug Administration to sell their respective versions of interferon - the anti-cancer agent - in the US.

The companies have received clearance only for treatment for a rare form of cancer, hairy cell leukaemia. Applications have also been lodged for the use of interferon as a treatment for other cancers such as Kaposi's sarcoma (associated with AIDS) and malignant melanoma.

The licenses for the two forms of interferon, Hoffmann-La Roche's Swiss interferon (Genentech) and Schering-Plough of the US (Hio-gen), agreed yesterday that the new product would have a "significant impact" on their sales in the longer term.

Hoffmann-La Roche said: "Over the long term, indications are that interferon is going to grow to the point where it could be a substantial financial contribution to sales of pharmaceuticals of the company internationally."

Until a year ago the two companies were locked in a legal struggle over patent rights to interferon, a substance which occurs naturally in the body. In May last year they agreed to drop their competing claims because the legal deadlock threatened development of the product.

The other chief candidate in the development of interferon is Wellcome of the UK. Wellcome has British clearance for the use of its interferon for hairy cell leukaemia, and is awaiting US clearance for two conditions, genital warts and juvenile laryngeal papilloma.

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Newcomers bring Portuguese banking business to life

By Diana Smith in Lisbon

COMPETITION in Portuguese banking has lived up since six major foreign banks, a privately owned Portuguese investment bank and three privately owned Portuguese commercial banks received licences in the past 18 months.

Two of the three private commercial banks - Banco Comercial Portugues (BCP) and Banco de Comercio e Industria (BCI) - have opened their first branches in Oporto and Lisbon. The third - Banco Internacional de Credito (BIC) - will open soon.

Backed by strong business capital from the industrial north, BCP and BCI are highly automated. They are retail banks with only a dozen or so employees at each branch compared with 45 or more clerks per branch in nationalised banks.

In order to build up short-term trade financing within the complex monthly credit ceilings calculated by the Bank of Portugal, BCP began operations with capital of Es 3.5bn (\$20m), double the legal minimum.

Like BCP, BCI, with initial capital of Es 1.5bn and 10 per cent of its shares held by the Pioneer Investment Bank (PIB), is offering progressive interest on current accounts based on annual balances held by clients. This is an innovation in Portugal and, the banks hope, an incentive to clients to put all their cash in one bank instead of spreading it among a number of banks.

BIC marks the return to Portuguese banking of the Espírito Santo family who lost their banking and other assets in the 1975 revolution.

Ironically, the bank they once owned - Banco Espírito Santo E Commercial de Lisboa (BESCL) - is the most profitable nationalised bank. It recently began denationalisation moves by offering Es 6bn worth of participation bonds - part bond, part equity - to the public.

BIC, like BCP and BCI, will initially concentrate operations in Oporto and Lisbon where most of Portugal's business is done and where most of the upwardly mobile liberal professionals and innovative services operate. It will later open branches in other cities.

For years efforts to liberalise the rigid, nationalised banking system were blocked by claims that foreign or private Portuguese banks would take the best clients, leaving nationalised institutions with the problem account.

The size of the problem is illustrated by the huge volume of bad debts - Es 400bn accumulated since 1975 during several economic crises.

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Founder of computer retailer pulls out

By Louise Kehoe in San Francisco

COMPUTERLAND'S founder, Mr William H. Millard, plans to sell his 96 per cent stake in the computer retail franchise company.

The Hayward, California-based company is the largest retailer of personal computers in the US with more than 300 franchised stores and 1985 sales of about \$1.5bn.

Computerland executives were taken by surprise by Mr Millard's announcement. "Apparently the major stockholder has made an independent decision to sell his holdings which include stock in Computerland," said a company spokesman.

However, Computerland executives felt the sale would be a change for the better. "We have not had the easiest of relationships with our stockholder," a senior company official said.

Mr Millard and his daughter Barbara Millard, the former president of Computerland, were removed from the management of the company six months ago following a court decision that awarded a 20 per cent stake in Computerland and \$140m in damages to an investor group. The group had sued Mr Millard for non

This announcement appears as a matter of record only.

JUNE 1986

U.S. \$250,000,000



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| Crédit Agricole - C.N.C.A.
New York Branch | Crédit Lyonnais
New York Branch | Generale Bank
New York Branch |
| Participants | | |
| Bank Brussel Lambert N.V. | Bayerische Vereinsbank Aktiengesellschaft
(Union Bank of Bavaria)
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INTL. COMPANIES & FINANCE

APPETITE FOR FOREIGN MARKETS FUELS RISES TO RECORDS

Bourses boosted by US buying

BY PAUL HANNON IN LONDON

THE INTERNATIONAL traffic in stocks and bonds reached a record level last year as US investors went on a worldwide buying spree. Their actions fuelled dramatic surges in volume in many European centres and under-pinned peak performances in some of the leading bourses.

This is the conclusion of the latest analysis of foreign activity in international markets by the New York-based Securities Industry Association.

The US appetite for foreign stocks quadrupled to \$3.9bn from its 1984 level, leaving it a shade higher than the 1983 peak of \$3.8bn.

Virtually half the net purchases by US investors were made in Europe with about \$300m finding its way into each of the French, Swiss and German markets. Britain remained one of the most important recipients of US funds with a total of \$617m invested in the London stock exchange. However, this was down slightly on the previous year's figure of \$677m. Significantly, the level of gross transactions, a reliable indicator of the role of foreign support in any given market, jumped to a staggering \$12.9bn during 1985 from \$7.0bn the previous year.

US support for UK stocks eased during the final quarter as the weaker oil price threatened sterling and interest rates. Although British interest rates did in fact edge higher, the London stock market sustained only a mild setback.

American buying of British equities received a further setback earlier this year with the proposal in the March budget to impose a 5 per cent tax on the conversion of Brit-

ish shares to American Depository Receipts.

Elsewhere in Europe, American support for French equities got off to a slow start. Net US purchases on the Paris bourse amounted to \$12m in the first quarter. This gradually increased to \$31m by the third quarter, only to be catapulted to more than \$240m in the final three months. A perception that the political problems associated with the "twin-party" government were not as great as had been feared prompted the turnaround. Gross transactions for the year edged from \$1bn to \$1.2bn.

A similar belated enthusiasm for Swiss equities took place. Gross activity increased to \$1.6bn of purchases from the 1984 level of \$1.3bn but the net purchases were more dramatic with a dazzling jump from \$79m to \$279m. Within the year, net buying amounted to \$88m in the first quarter, but sprinted to \$176m by the final quarter.

Canada remained a key depository of US investment again as a total of \$1.2bn of Canadian equities was purchased. The performance of the Canadian markets, however, did not match that of their southern counterparts. Investment is believed to have been highly selective with funds concentrated on industries likely to benefit from the lower Canadian dollar and those gaining from the lower interest rate trend at the end of the year. The Canadian dollar slipped a total of 6 per cent against the US currency last year.

Exchange rates proved to be critical. After touching record highs against some currencies early in 1985, the dollar began a slide which,

although interrupted by official intervention occasionally, finished the year between 25 per cent and 29 per cent lower against most major foreign currencies. While the dollar continued to fall in the first quarter of this year, Wall Street has scored some dramatic advances and foreign investment in the US has increased.

Foreign activity on Wall Street, in part a reflection of the globalisation of capital markets, has doubled in the past five years to the extent that between 9 per cent and 9.5 per cent of the value of New York Stock Exchange daily transactions are of a non-US nature. Gross activity in US equities jumped to \$157bn last year from \$123bn in 1984.

Foreigners were net buyers of \$4.9bn worth of US equities in 1985. Although this figure did not exceed the 1981 record of \$5.8bn, the concentration of much buying in the final three months of last year - \$4.1bn - was unprecedented.

The most impressive quarterly boost stemmed from Europe with net purchases leaping from \$668m to \$2.8bn. Canada was the only major region making net sales - about \$8m - of US equities in the final three months.

UK investors were still the most important foreign participants in the US stock markets (and vice versa) with gross purchases increasing by more than \$10bn to \$37bn and net purchases jumping by almost \$1bn to \$1.67bn.

After the British, the most active Europeans were the Germans with net purchases of \$730m (out of a gross activity of \$8.1bn), compared with being net sellers of US equities to the tune of \$50m in 1984.

The Japanese were also active buyers (at \$7.47bn) but held on to only \$288m worth of US stock during the year, while the Canadians scaled back their net purchases to \$355m from the previous year's \$1.7bn.

In the US bond markets, foreign interest was sustained by declining interest rates and low inflation. Total net purchases of bonds by overseas investors amounted to \$30bn (\$84bn gross) with more than \$16bn surging in the final quarter as speculation grew that the Federal Reserve Board was poised to lower interest rates further.

Europe represented the lion's share of the foreign support with \$30bn net purchases (\$46bn gross), while Asia as a whole bought \$2m net (\$12.8bn gross). The Japanese were, after the British, the most important element in the non-US buying spree with net purchases of \$2.9bn.

During most of 1985, the interest rate differential between US and UK corporate bonds favoured US investment, while inflation in the US was lower than in Britain.

Swiss investors increased their level of net purchases to \$3.8bn from \$604m, while West German buying also managed a healthy increase from \$64m to \$1.6bn.

The Treasury market was dominated by the Japanese with a record \$18.9bn (88 per cent) of net purchases compared with only \$6.3bn (29 per cent) the previous year. The yield differential on government bond issues favouring US over Japanese issues narrowed during the year from 525 basis points to 339 basis points. The dollar also fell 20 per cent against the yen during the same period.

Seminars bridge the transatlantic gap

BY ANDREW BAXTER IN LONDON

UK INSTITUTIONS with shares in emerging US companies were this week invited to a novel way of keeping in touch with their investments - a potpourri of nine "investor presentations" in separate rooms at Claridge's hotel in London.

Officers from small and medium-sized concerns in industries ranging from restaurants to lighting equipment faced the daunting task of talking six times throughout the day to groups of brokers and fund-

managers, who could move from room to room to find the companies in which they were interested.

The concept, quite common in the US, is rare in the UK, where a presentation at lunchtime is the more common way for a US company to woo the London institutions.

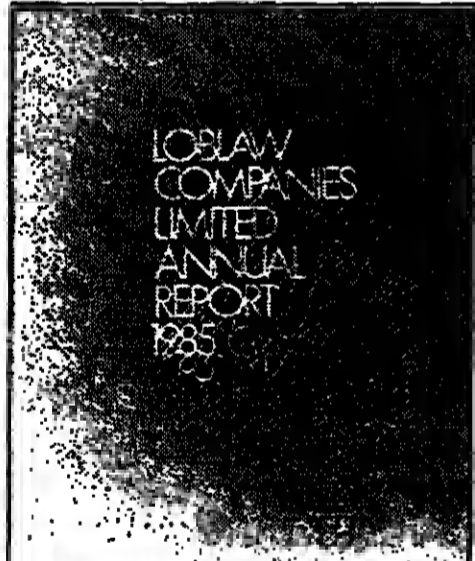
Yesterday's series of meetings were hosted by Ladenburg, Thalmann, a venerable US investment bank which has recently carved a niche for itself by handling public offerings for companies with high

growth potential, but not necessarily with a high-technology tag.

Invitations for the event talked of "a unique opportunity for the European investment community to meet the chief executive officers of 11 outstanding and rapidly growing companies." In the event, fears over terrorism, which were roundly condemned as "hysterical" by those who took part, reduced the number by one, and another company pulled out for business reasons.

Ladenburg hopes to hold another conference in London next year if yesterday's is judged successful.

These twenty annual reports represent the final pages of a 2 part series, designed to keep you informed on major North American Companies.



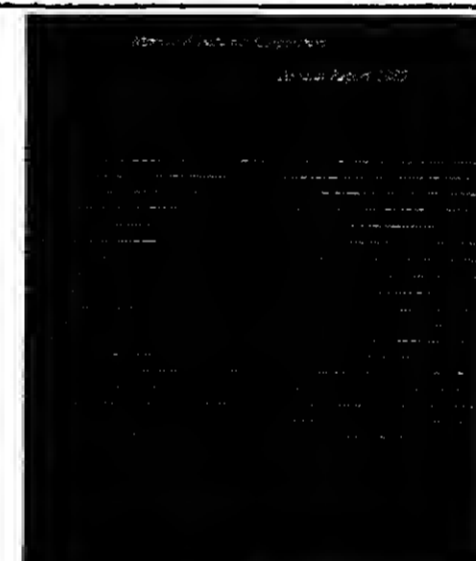
Loblaw Companies Limited

Loblaw Companies Limited is Canada's largest food distributor with wholesale and retail operations across Canada and in the United States. In 1985 earnings increased 9.8% to Can.\$67 million and total assets reached Can.\$1.5 billion. Capital expenditures are anticipated to exceed Can.\$1.0 billion over the five years ending in 1988. This investment, in support of proven store formats and people, is being made in carefully selected locations in many markets to ensure continued stable growth.



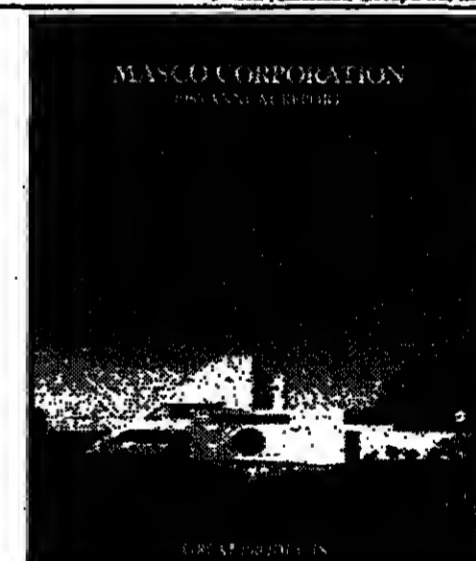
Magna International Inc.

Magna International Inc. (TSE: MGA; NASDAQ: MAGAF) has established an enviable record of growth and profitability in the North American automotive industry, one of the world's most dynamic business environments. Magna, with over 80 facilities, produces more than 4,000 parts and components. Innovative design, product quality, an entrepreneurial operating structure combined with sound financial management has produced the following increases over the last five years:
SALES: \$199 million to \$690 million
NET INCOME: \$6.7 million to \$35.5 million
EARNINGS PER SHARE: \$0.61 to \$1.77
SHAREHOLDERS' EQUITY: \$45.3 million to \$294.0 million.



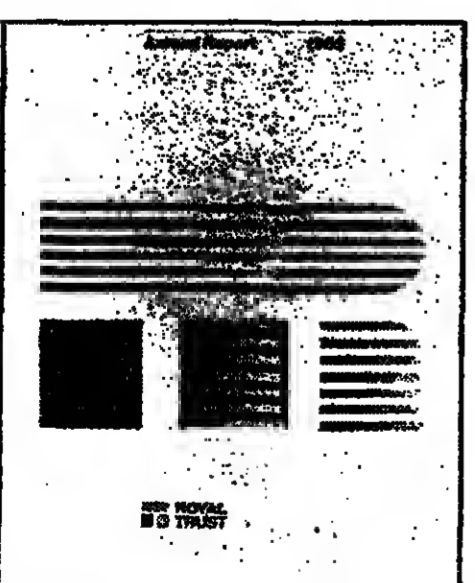
Maryland National Corporation

Record 1985 performance placed MNC in the top tier of major regional bank holding companies - earnings up 37%, ROE 17.4%, ROA 1.03% and primary capital 2.0%. With \$8 billion in assets, MNC serves the nation's 5th largest market in population and retail sales and is prepared for further expansion in the mid-Atlantic region.



Masco Corporation

MASCO CORPORATION, A UNIQUE GROWTH COMPANY with leadership market positions, has reported 29 CONSECUTIVE YEARS OF EARNINGS INCREASES. Masco manufactures faucets and other building-related products and other specialty products for the home and family. Send for our 1985 Annual Report to learn why, we believe, Masco's earnings will continue to grow at an average annual rate of 15 to 20 percent annually over the next five years, with our sales in 1990 approaching or exceeding \$3 billion.



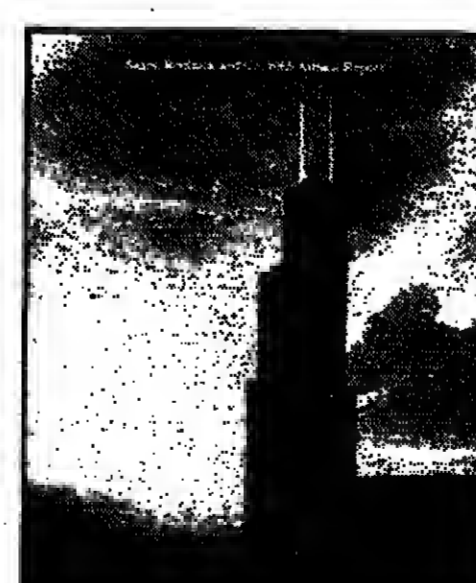
Royal Trustco Limited

Royal Trustco Limited is Canada's leading trust company, with assets under administration of \$37 billion at the end of 1985. Royal Trust offers a broad range of personal and corporate financial services across Canada and internationally. For the year ended December 31, 1985: net income was \$113 million, up 33% over \$85 million in 1984; net income per share was \$1.89, up 13% over \$1.67 in 1984.



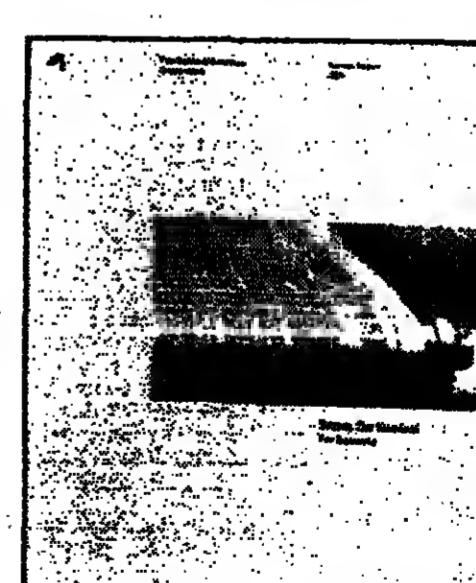
Sara Lee Corporation

Sara Lee Corporation (formerly Consolidated Foods) is an international food and consumer products company, marketing high quality brands with leading market shares. Sales total more than \$8 billion, with approximately 23% from non-U.S. operations. Returns on equity has increased every year for ten years, reaching 20.5% in fiscal 1985. Brands include Sara Lee, Douwe Egberts, Kiwi and Aspro.



Sears, Roebuck and Co.

Celebrating a century of progress, Sears, Roebuck and Co. has grown from a catalog operation to a leading provider of goods and services through its retail and international operations and its financial services network. Sears is organized into five principal groups: Sears Merchandise, Allstate Insurance, Coldwell Banker Real Estate, Dean Witter Financial Services and Sears World Trade, Inc. Total revenues for 1985 were \$40.7 billion with net earnings of \$1.3 billion.



The National Guardian Corp.

The National Guardian Corporation, one of the nation's largest and fastest growing security services companies, offers a broad range of electronic alarm systems which may be monitored from the Company's central monitoring stations throughout the country. The Company also provides security guard and other investigative services, such as background and management investigations, surveillance activities and polygraph testing. Revenues of \$64.4 million and net income of \$4.7 million in 1985 more than doubled from 1984. The common stock of National Guardian is traded in the U.S. over-the-counter market on the NASDAQ National Market System, under the symbol NATG.

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INTL. COMPANIES & FINANCE

Heavy equipment alliance expanded

WHEN A joint venture starts going wrong, most participants start looking for the door. But in an unusual reversal of this rule, two power houses in the construction equipment industry have decided to pump another Y23bn (\$131m) into their 24-year-old alliance in an effort to make up for past mistakes and better compete in world markets.

The two are Caterpillar, the premier US construction equipment company, and Mitsubishi Heavy Industries, Japan's leading heavy machinery maker. In 1962, the two formed a Japan-based joint venture to manufacture and sell earthmoving equipment. But with sales now at around \$950m, Caterpillar-Mitsubishi (CM) has been showing little to no profit for at least four years.

The trouble was CM's sales line which did not include hydraulic excavators—and HEs, as they are called, have provided most of the excitement in the construction equipment industry for the last several years.

According to MHI, HEs now account for 60 per cent of the world construction equipment market. About 60 per cent of all these are made in Japan. The leader is Komatsu, with between 16 and 18 per cent of the world market. MHI and Caterpillar got into the HE business individually, but neither has been able to get anywhere near Komatsu's class.

"In 1962, when we formed the joint venture, hydraulic excavators were in the infancy stage. No one expected such high growth," says Mr Akio Konishi, general manager in MHI's strategic planning office. Talks to expand the joint venture into HEs were begun nearly two years ago, with an agreement only hammered out at the end of last month. In the intervening two years, bow-

late consideration. So the designs for the new joint venture (of HEs) will be done in Japan and the manufacture for the European and US markets will be done in the US and Europe," says Mr Konishi.

MHI currently sells about Y50bn worth of hydraulic excavators. This output will be folded into the new joint venture, bringing total sales for CM under the new arrangement to between Y210bn and Y220bn. The entire output of the improved joint venture will be marketed exclusively through

its Aurora, Illinois plant. In Belgium, it produces the same models and a smaller one at Gosselies.

Over the next few years, Caterpillar and MHI hydraulic excavators will be integrated into a single-product line which will be manufactured at MHI's Akashi plant and at Caterpillar plants in Belgium and Aurora, under licence from the joint venture company. The MHI Akashi plant, along with its 700 workers, will become part of the new joint venture company.

Carla Rapoport examines a revitalised joint venture between Caterpillar and MHI

The new latest venture is a direct attempt, although unspoken, by the two companies to re-arm themselves for battle with Komatsu. "Komatsu is number one, of course," says Mr Konishi, with the implicit message that the two companies would like to assume that spot themselves.

The proposal is an intriguing one. Can US-Japanese multinational joint venture outdo the established Japanese heavy-weight? Depending on the speed with which Caterpillar and MHI move, their chances for cutting costs through distribution rationalisation, increased local manufacturing and lower exports from Japan look promising. No doubt Komatsu will be watching their moves closely.

Caterpillar's distribution system, under the Caterpillar trademark. By 1990, according to Mr Konishi, the new joint venture is projected to have world sales of Y300bn.

MHI executives emphasise that following a transitional period, all design for the company's HEs will be centralised in Japan.

In terms of manufacture, the new joint venture will take a strictly multinational approach. Caterpillar currently sources three models of medium and large hydraulic excavators at

LTA dives deeper into the red

By Jim Jones in Johannesburg

LTA, one of South Africa's leading civil engineering and construction groups, has suffered badly from domestic recession and foreign problems, which led to a sharply increased attributable loss in the year to March.

Turnover fell to R1bn (\$412.1m) from R1.14bn, operating profits before interest for continuing operations dropped to R11.8m from R16.8m and pre-tax profits were R1.5m against R8.2m. However, the after-tax loss of operations which were discontinued during the year increased to R15m from R5.5m, while extraordinary provisions for terminating some of the activities increased the attributable loss by a further R27.7m against only R2.1m in the preceding year.

As a result, shareholders suffered an attributable loss of R46.5m against the previous year's loss of R1.1m. This translated into a loss of 14c cents a share before extraordinary items, against earnings of 8c cents a share in the previous year.

Earlier this week Murray and Roberts (M & R), LTA's largest competitor, warned shareholders that it was likely to suffer an attributable loss of R25m this financial year. In March when they presented their interim results, M & R's directors forecast attributable profits of R22m for the year to June.

LTA was particularly hurt in Australia where the group's South African contractor became a liability in tendering for state and private business. As a result the Australian arm was closed.

The board says that the continued low levels of investment and lack of confidence in South Africa make it difficult to forecast this year's performance.

Toshiba's net profits tumble 31%

BY YOKO SHIBATA IN TOKYO

TOSHIBA, THE Japanese maker of electric machinery and consumer products, showed a 31 per cent fall in consolidated net profits to Y59.44bn (\$46.5m) in the year to March.

The poor performance was blamed on the long semiconductor recession and the year's sharp appreciation against the dollar.

Mr Yuichi Yamada, vice president, said yesterday the Toshiba group would probably report a further drop in net profits for the current year, with exchange losses of Y105bn expected due to the persistent strength of the yen.

In the latest year, sales of

format from Beta.

Overseas sales, representing 31 per cent of total turnover, rose a mere 1 per cent.

Forecasts for the current year are based on a yen-dollar rate of around Y160. Prospects are viewed as weak in the first half, after which effects are expected to flow from measures Toshiba has taken to cope with the stronger yen, such as shifting production bases overseas.

Overseas sales are expected to grow by 8 per cent to Y1,490bn. Full-year net profits are projected at Y450m, down 19.2 per cent, on sales of Y3,630bn, up 7.6 per cent from the previous year.

Meanwhile, sales in the consumer products division rose 15 per cent to account for 31 per cent of the total. This was supported by strong demand for video cassette recorders both within Japan and overseas—rewarding its switch to the VHS

Poor half-year result for Melbourne Herald group

BY LACHLAN DRUMMOND IN SYDNEY

THE HERALD and Weekly Times, the Melbourne media group, yesterday announced a 19 per cent drop in interim net earnings and an all-share bid for the remainder of the 45 per cent-owned magazine distributor Gordon and Gotch.

Herald blamed the fall in earnings for the half-year to March — from A\$18.8m (US\$12.85m) to A\$14.51m—on a drop in advertising revenues for its afternoon newspapers in Melbourne and Perth, lower profits from its two television stations, increased interest rates on higher borrowings, and greater depreciation.

At the pre-tax level profits were even more sharply hit, with a 31 per cent decline from A\$28m to A\$20.5m after taking in interest costs of A\$8.8m against A\$5m and depreciation of A\$4.7m.

Fund levies sought from Thai banks

THE BANK of Thailand has asked Thai commercial banks and finance companies to make their first contributions by early July and December to the Fund for Rehabilitation and Development of Financial Institutions, Reuter reports from Bangkok.

The government-run fund was set up early this year under a royal decree to provide the central bank with a mechanism to intervene in operations of troubled financial institutions.

A central bank official said local financial institutions are required to put 0.05 per cent of their total deposits into the fund next month and another 0.05 per cent in December.

The Government expects to levy up to 700m baht (\$26.7m) a year into the fund.

Losses mount but Saan sees recovery

By Our Johannesburg Correspondent

SOUTH AFRICAN Associated Newspapers (Saam), the publisher of the Cape Times, Financial Mail and Business Day, sharply increased its losses in the final three months of the 15 months to March but believes that it will return to profits during the current financial year.

Turnover during the 15-month trading period was R157.1m (\$64.7m) against R138.1m in the preceding year. The operating loss before interest was R12.15m against R8.28m and the pre-tax loss increased to R18.48m from R7.45m.

The group made an attributable loss of R11.38 a share and a dividend has not been declared. In 1984 the loss was R3.15 a share and a total dividend of 25 cents was paid. Saan is indirectly controlled by Anglo American Corporation, South Africa's largest mining house.

PLACER DEVELOPMENT LIMITED



Vernon F. Taylor III

The election of Vernon F. Taylor III to the Board has been announced by Placer Development Limited.

Mr Taylor is Chairman and Chief Executive Officer, and a Director, of Chumax Pharmaceuticals Inc., Denver, Colorado. He is also a Director of Geomine Resources Limited, Mr Taylor, who holds a Bachelor of Science in Mineral Engineering from Stanford University, has worked as a non-ferrous and precious metals analyst with an investment bank and also brings experience in business administration, and mineral exploration to his duties on the Board. Placer is a Vancouver based Canadian Company with world-wide mining activities, and significant oil and gas interests in North America.

Noranda disposal

Pan Australian Mining is to buy the stake of its partner, Noranda Australia, in the Mount Leyshon gold venture near Charter's Towers in Queensland. The A\$6.75m (US\$4.08m or £2.70m) deal will give Pan Australian sole ownership of the open-pit project which is due to come on stream later this year aiming at an annual gold output of 46,000 oz, our Mining Editor writes.

THE ST. PAUL COMPANIES, INC.
7 1/2% Convertible Subordinated Debentures
due April 15, 2000

Payment to Section 1201 of the Indenture, dated April 15, 1985, between The St. Paul Companies, Inc. and The Chase Manhattan Bank (National Association), as Trustee, under which the above Debentures were issued, notice is hereby given that effective May 20, 1986 the interest payment due for the above Debentures is 25.75 cents of Common Stock for each \$1,000 principal amount of Debentures.

The St. Paul Companies, Inc.
By The Chase Manhattan Bank
May 22, 1986
(National Association), agent

U.S. \$30,000,000



The Korea Development Bank
Floating Rate Notes Due 1989

Interest Rate 7 1/8% per annum
Interest Period 5th June 1986
5th December 1986
Interest Amount per U.S. \$1,000 Note due 5th December 1986 U.S. \$38.44

Credit Suisse First Boston Limited
Agent Bank

Kingdom of Sweden

U.S. \$750,000,000

Floating Rate Notes due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from 5th June, 1986 to 5th December, 1986 the Notes will carry an Interest Rate of 7 1/8% per annum.

Interest payable on 5th December, 1986 will amount to U.S.\$374.90 per U.S.\$10,000 Note.

Morgan Guaranty Trust Company of New York
London
Agent Bank

U.S. \$50,000,000

Saitama International (Hong Kong) Limited

Guaranteed Floating Rate Notes Due 1993

Guaranteed as to payment of principal and interest by

The Saitama Bank, Ltd.

Interest Rate 7 1/8% per annum
Interest Period 5th June 1986
5th December 1986
Interest Amount per U.S. \$5,000 Note due 5th December 1986 U.S. \$189.04

Credit Suisse First Boston Limited
Agent Bank

U.S. \$100,000,000



(Incorporated as a Societa per Azioni in the Republic of Italy)

LONDON BRANCH

Floating Rate Depository Receipts due 1992

Issued by The Law Debenture Trust Corporation p.l.c. in accordance with the terms and conditions of the Receipts and the provisions of the Agent Bank Agreement, notice is hereby given that the rate of interest for the interest period commencing June 5, 1986 has been determined at 7 1/8% p.a. The interest payment due will be December 5, 1986 and payment of \$374.90 will be made per US\$10,000 deposited and \$9,372.40 will be made per US\$250,000 deposited.

June 5, 1986
The Chase Manhattan Bank, N.A., London, Agent Bank

The Hongkong and Shanghai Banking Corporation

(Incorporated in Hong Kong with limited liability)

U.S. \$400,000,000

PRIMARY CAPITAL UNDATED FLOATING RATE NOTES (SECURED DEBENTURES)

Notice is hereby given that the Rate of Interest has been fixed at 7 1/8% and that the interest payable on the relevant interest Payment Date September 5, 1986 in respect of \$5,000 nominal of the Notes will be \$94.24 and in respect of \$100,000 nominal of the Notes will be \$1,884.72.

June 5, 1986, London
By Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

VIACOM INTERNATIONAL INC.

Notice of Adjustment of Conversion Price

To the holders of VIACOM INTERNATIONAL INC 7 1/8% Convertible Subordinated Debentures due 2000

Notice is hereby given that the conversion price of the 7 1/8% Convertible Subordinated Debentures Due 2000 (the "Debentures") of Viacom International Inc ("Viacom") has been adjusted to reflect the two-for-one stock split on Viacom's common stock, par value \$1.00 per share (the "Common Stock"), declared by Viacom's Board of Directors on May 1, 1986. The stock split was effected by the distribution on May 26, 1986 of one share of Common Stock in each share of Common Stock outstanding on May 12, 1986.

Effective May 12, 1986, the \$35 price at which shares of Common Stock will be delivered upon conversion of the Debentures has been adjusted to be \$27.50 per share of Common Stock.

Weekly net asset value



Tokyo Pacific Holdings (Seaboard) N.V.

ON 2nd JUNE, 1986 U.S. \$132.20

Listed on the Amsterdam Stock Exchange

Information: Pierson, Hobbins & Pierson N.V., Herengracht 214, 1016 BF Amsterdam.

U.S. \$275,000,000

The Bank of New York Company, Inc.

Floating Rate Subordinated Capital Notes Due 1997

Notice is hereby given that the Rate of Interest has been fixed at 7 1/8% p.a. and that the interest payable on the relevant interest Payment Date, September 5, 1986 against Coupon No. 3 in respect of US\$10,000 nominal of the Notes will be US\$185.28.

June 5, 1986, London
By Citibank, N.A. (CSSI Dept.), Reference Agent

CITIBANK

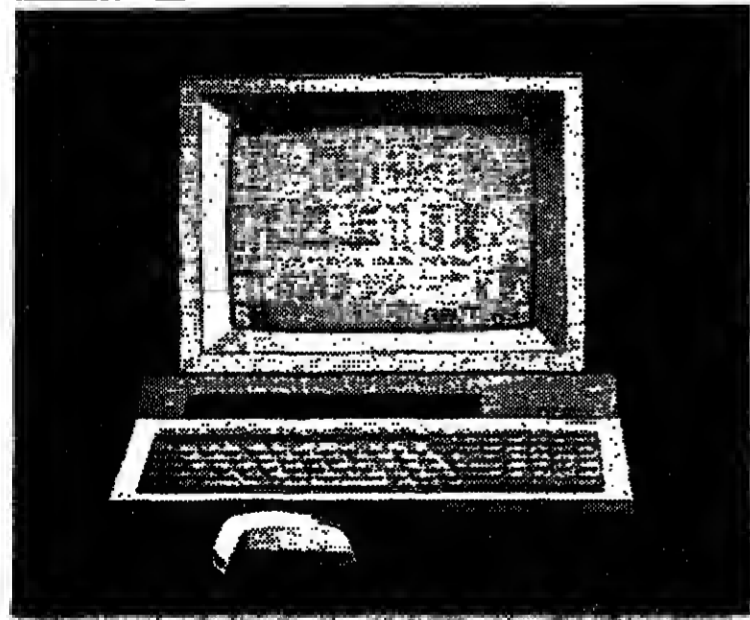
AIBD BOND INDICES

WEEKLY EUROBOND GUIDE MAY 29 1986

Redemption	Change	12 Months	12 Months	
on Week	High	Low	Low	
US Dollar	9.515	11.220	11.010	9.094
Australian Dollar	12.980	0.031	14.430	12.600
Canadian Dollar	10.730	0.506	12.040	10.489
Euroguilder	6.074	0.264	7.090	5.971
Euro Currency Unit	8.400	2.564	9.670	8.164
Yen	6.702	2.571	7.250	6.307
Sterling	10.035	0.461	11.932	9.751
Deutschmark	6.594	0.442	7.260	6.418

Bank J. Vontobel & Co Ltd, Zurich. Tel: 022/24 372 CH

All the information you need, in any format you want, on a single screen



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Once that meant either having a number of different screens or continually jumping from one page to another.

The Advanced Reuter Terminal (or ART) simplifies all that by allowing you to reformat, graph and limit-mind streams of fast moving prices according to your specific trading needs.

Latest news headlines are constantly displayed on the screen. Automatic search facilities then allow the user to set alerts and locate important items instantly.

Using Microsoft Windows® software, the colour screen can be divided into different-sized boxes, so that any combination of real time Reuter Monitor services can be displayed and for the first time - compared simultaneously.

So now you can complement your own art with ours.

The Advanced Reuter Terminal, ART. For further information or a demonstration, phone Robert Etherington, on 01-250 1122 or Ron Owens, on (212) 603 3655, or complete the coupon.

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INTERNATIONAL COMPANIES and FINANCE

French Eurobond market on the road to maturity

BY CLARE PEARSON

THE FRENCH Franc Eurobond market, in its present incarnation just a year old, has acquired a new importance since the 6.5 per cent devaluation of the currency against the D-Mark within the European Monetary Systems (EMS) on April 6.

Since then, the strength of the French franc within the EMS has enabled the French franc-Eurobond market to draw a proportion of investors away from the more established D-Mark Eurobond market, which has seen the German currency trade near the floor of its permitted EMS range.

Although the market has been depressed recently because of domestic political uncertainties and in sympathy with the dollar sector, it continues to be sustained by firm expectations of lower interest rates in France.

Re-opened in April last year, after a four-year suspension, the market has seen 98 issues since then totalling FF77.85bn. The recent strength of the currency has accelerated its development, in terms of both the volume and structure of issues.

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securities quoted on foreign markets was then abolished. While this had never applied to Eurobonds, it had prevented the sale of equity-related bonds for foreign issuers in the French franc Eurobond market.

Despite this vigorous development, the conduct of French issuing houses has remained circumspect. One French banker said: "There has been a conscious attempt to avoid the catchword beginnings of the Euroyen market."

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IFC plans substantial increase in borrowing

By John Wicks in Zurich

INTERNATIONAL FINANCE CORPORATION (IFC), the private sector agency of the World Bank, plans to borrow around \$4bn on the capital markets during the five-year period 1985-89.

Mr Frank, the corporation's director of finance and planning, said in Zurich yesterday that IFC was carrying out a "major expansion of its operation."

Mr Frank said IFC's new annual financial statements, with 1985 Eurodollar tranches, and the bonds "in realistic market terms" in view of the fact that many Japanese equity warrants deals are now trading at loss-making levels. This has arisen because, while yields on fixed-rate bonds have been rising, equity warrant bonds have continued to be priced with very low coupons.

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Yamaichi launches deal in sterling

BY CLARE PEARSON

YAMAICHI INTERNATIONAL (Europe) became the first Japanese issuing house to run the books on a sterling issue yesterday when it launched a £20m equity warrant bond on behalf of its parent, Yamaichi Securities. The bond is part of a three-tranche financing, with an additional \$40m being offered in Europe, and \$30m in Asia, through Yamaichi International (HK).

All three tranches were trading well yesterday, hid at the level of their par issue prices. Dealers felt this reflected their relatively generous coupons: indicated at 3 1/2 per cent on the five-year sterling tranche, at 4 per cent on the 10-year Eurodollar tranche, and at 3 1/2 per cent on the seven-year Asian deal.

Yamaichi said it had priced a three-tranche financing, with 10-year Eurodollar tranche, and the bonds "in realistic market terms" in view of the fact that many Japanese equity warrants deals are now trading at loss-making levels. This has arisen because, while yields on fixed-rate bonds have been rising, equity warrant bonds have continued to be priced with very low coupons.

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low coupons. Equity warrant bonds also moved to centre-stage in the Ecu sector yesterday when Banque Paribas as book-runner, and Nippon Kangyo Kakumura as lead-manager, launched an Ecu 100m bond for C. Itob, the Japanese trading company.

The five-year bond is guaranteed by Dai-ichi Kangyo Bank. Pricing will take place on June 10, but the coupon is indicated at 2 1/2 per cent. The warrants' exercise premium is expected to be 2 1/2 per cent, and they will be exercisable throughout the bond's life. Banque Paribas quoted a trading range of 99 to 100, at against a par issue price.

Nomura International launched towards the end of the afternoon a \$70m equity warrant bond for Marutsu, the Japanese supermarkets chain. The five-year bond has a coupon of 2 1/2 per cent and a price of per, but other terms will be fixed on June 13.

Yamaichi International (Europe) took time out from launching their own deals to quote a \$150m seven-year equity warrant bond for Fuji Heavy Industries. The coupon was set at 3 1/2 per cent, as had been indicated, and the exercise price at ¥54. This represented a 2.5 per cent premium over yesterday's ¥54 closing price.

With the dollar floating-rate note sector still looking healthy, Morgan Stanley launched a \$200m 10-year floating-rate note for the unrated National Bank of Canada. The coupon was set at 7 1/2 per cent over six-month London interbank offered rate and price at par. Fees total 0.5 per cent, and the bond was quoted at prices within this level.

Den norske Creditbank's London subsidiary launched a \$15m floating-rate note for Varde, the ninth largest commercial bank in Denmark. The eight-year bond pays interest at 7 1/2 per cent over six-month London interbank offered rate and has a minimum coupon of 5 1/2 per cent. Fees total 50 basis points. The bond is callable in 1991 and 1992 at 100, and in 1993 at par.

Varde also borrowed Dkr 100m yesterday, with a seven-year 9 1/2 per cent bond through Chase Manhattan. Varde itself was co-lead. The price was set at 100 and the bond is callable after six years at 100 1/2.

The D-Mark market was buoyed by overnight strength in New York, with prices moving up by 1 point. Westdeutsche Landesbank took advantage of this to launch a DM 50m seven-year bond for Japanese Suminoe Textile. Pricing will take place on June 9, but the coupon was indicated at 1 1/2 per cent. The bond traded at about 105 bid, against a par issue price.

Schweizerische Bankgesellschaft (Deutschland) priced a recent DM 100m equity warrants deal for Interstep. The coupon was set at 2 1/2 and the exercise price at Sfr 890, the closing share price in Zurich yesterday.

The Swiss franc market traded more actively than recently. Price changes were mixed. Union Bank of Switzerland arranged a Sfr 80m five-year private placement for New Brunswick Electric Power Commission. The coupon was set at 5 per cent and priced at 100 1/2.

Oesterreichische Postsparkasse's Sfr 150m 5 per cent bond due 2002 traded for the first time yesterday. The closing price was 98 compared with a 100 1/2 issue price.

Denominations are Sfr 20,000 and Sodic, the lead manager, said this was meant to discourage small investors. The issue will be public, rather than a private placement, but will not be listed. Swiss bankers commented that it was unlikely that the Zurich stock exchange would permit a listing for this type of transaction.

Given the high conversion premium, investors in the bond will be protected by a prepayment clause in the event of a takeover of Bond Corporation.

Bond Corporation's share price has more than doubled over the last year, during which the company has taken over Castlemeine Toobey's, giving it a large share of the Australian beer market. The share price has fallen from A\$4.20 since the mid-April rights issue, however.

Investments Proprietary, the main assets of which are 150m shares, Mr Bond's 31.4 per cent shareholding in Bond Corporation. Half of the shares provide the collateral for the issue.

The balance of the proceeds of the transactions, amounting to A\$40m, will be used to consolidate some of Dalhousie's debt.

The conversion price is A\$5, almost double yesterday's share price of A\$3.22. To compensate for this, the bond's coupon is indicated at 6 1/2 per cent.

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Novel rights issue finance for Alan Bond

MR ALAN BOND, chairman of Bond Corporation, the Australian brewing, media and energy group, is financing his A\$100m participation in a recent A\$100m one-for-two rights issue for the company by means of a novel financing in the Swiss franc bond market.

The financing takes the form of a Sfr 200m private placement of notes issued by a vehicle company, Shield Enterprises, and convertible into 25m Bond Corporation shares. The guarantor is Dalhousie.

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A limited partnership has been formed to research and develop two new therapeutic agents, live enzyme immunosays, and five surface plasmon resonance diagnostic tests. Pizzini R&D, Inc., a wholly-owned subsidiary of the ARES-SERONO GROUP, will act as General Partner.

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May 1986

INTL. COMPANIES

Geneva bourse set for future expansion

BY WILLIAM DULLFORCE IN GENEVA

GENEVA officially inaugurated its new stock exchange yesterday, formally announcing that it was now equipped to cope with an expansion of business which has been averaging 25 per cent a year and has been strongly boosted by foreign investors.

With advanced technology installed and successfully operating, the Geneva bourse has the means to expand its role as an international stock trading centre, Mr Georges Urban, president of the bourse commission, said.

At the end of December, Geneva listed the shares of 211 foreign companies, of which more than half came from the US; 181 Swiss companies were quoted. Foreign bonds accounted for 770 of the 1,709 listed and new foreign issues outpaced domestic in the first months of this year.

The Geneva exchange feeds off the city's 120 banks and some 300 registered security dealers whose main business is managing portfolios. Turnover in 1985 measured SFr 210bn (\$11.3bn) an increase of 25.4 per cent over 1984, and that rate of growth was maintained in the first quarter of this year.

Trading was in fact switched in March from the cramped quarters in the rue Petitot, where Switzerland's oldest bourse had operated for the past 73 years, to the concrete and steel business centre being completed round the corner in the rue de la Confédération.

The new bourse is inserted into the building like a giant, four-floor capsule stuffed with 10,000 km of cables of optical fibres. This construction was necessary because the site is at the bottom of the hill up which the old city climbs and only 4 metres above the groundwater level.

Foundations had to be specially strengthened against pressure from the hill and at the same time space had to be provided between the basement walls to cope with possible water seepage and maintain the right climate for the computer centre.

At a cost of some SFr 60m, Geneva now has a fully modern exchange with three trading rings — one each for Swiss shares, foreign shares and bonds — which retain the traditional open outcry dealing method but are served by an electronic floor-reporting system giving real-time information on price movements.

Installed computer capacity is sufficient to handle the automatic transaction settlement and computer-aided trading systems which are the next steps in the programme of modernisation. Trading in options and futures is in the pipeline and a project for a "second market" of unlisted securities is being evaluated.

Lutz goes to Chrysler

BY TERRY DODSWORTH IN NEW YORK

MR ROBERT Lutz, head of Ford's North American truck operations, has resigned to take a job at Chrysler only three months after he was moved back to the US from running Ford's European operations.

The move was widely seen in Detroit as Mr Lutz's riposte to Ford's decision to shift him from Europe to a job which was apparently lower in the Ford executive hierarchy — executive vice-president of north American truck operations.

Mr Lutz becomes executive vice-president in the Chrysler Motors unit. He will be responsible for international operations, trucks and the group's component businesses.

Acquisitions lift Danish brewer

By Hilary Barnes in Copenhagen

UNITED Breweries, Danish producer of Carlsberg and Tuborg lagers, said first half sales revenues were up by 12 per cent, mainly from acquisitions and operating profits were ahead.

The interim report gives no figures, but reveals that domestic sales were slightly lower than last year, partly because rising Danish taxes have encouraged buying of beer across the border in West Germany. Sales from operations abroad, both from wholly owned breweries and under licence, have increased, said the report.

SDS, the big Danish savings bank, is setting up a wholly owned bond and share trading subsidiary. The broking firm will take advantage of a legislative change which ends the monopoly previously enjoyed by 26 broking firms on the Copenhagen stock exchange.

Jacobs buys more of Tidewater

AN INVESTOR group including Minstar, the takeover vehicle of Minneapolis investor Mr Irwin Jacobs, has raised its stake in Tidewater — owner of a large fleet of oil and gas vessels — to 4.68m shares, or 23 per cent.

The group said, in an SEC filing that it bought 816,200 shares in Tidewater between April 28 and May 27 at between \$6 and \$8 a share.

Tidewater last year rejected a \$415m takeover offer from Mr Jacobs worth an estimated \$25-\$28 a share. Mr Jacobs' group has resumed stock purchases after an agreement to limit its holdings to 15 per cent expired last November.

Loews, the US cigarettes and financial services group, has lifted its stake in CBS, the broadcasting, records and publishing group, to 17.7 per cent. In an SEC filing the company said it held 4.17m CBS shares, including 254,800 acquired during April and May at between \$133 and \$194.875 each.

Lyonnaise des eaux

At its May 14 1986 meeting, the Board of Directors of Lyonnaise des Eaux closed the consolidated accounts for the year 1985.

Below are the key financial data reported

	French Francs in millions except per share amounts		
	1984	1985	Increase %
Sales	13,503	14,756	9.3
of which realized abroad	4,237	3,756	note 1
Net income before minority interest	207.2	468.9	97.3
Net income to the Group	148.8	279.8	88
Earnings per share	FF29.53	FF72.87	
Stockholders' equity	2,406	2,477	note 2
per share	FF641.60	FF645.20	
Funds provided by operations	1,081	1,327	21.8
Capital expenditures	1,057	1,825	72.9

NOTES:

(1) The decrease in sales realized abroad essentially resulted from the decline in rate of exchange of the U.S. Dollar against the French Franc, and from changes in Group structure as indicated below.

(2) Equity as of December 31, 1985, reflects a negative translation adjustment U.S. Dollar, Spanish Peseta of 292 million francs.

The increase in sales must be interpreted taking into account the effects of the following changes in Group consolidation, due to acquisitions or disposals of investments in 1985: — exclusion of the companies Sici and Intrafr-Lofor, addition of S.A.M. (Macau) and C.C.D. (district heating) — changes in the consolidation methods for Forclum, Omnium de Gestion et de Financement and General Waterworks Group net income rose 58%. This advance reflects Degremont's recovery, satisfactory progress of profitability in the various operating sectors of the Group (Water, Waste, Energy, Mortuary Services) and the continue strong contribution from international operations, especially from the United States and Spain.

Funds provided by operations augmented twice as fast as sales, while capital expenditures also sharply increased. The Group pursued in 1985 its policy of technological development: 139 million francs were invested in research activities, and two new research centres were created in the Toulouse area and at Compiègne. Moreover, investments in personnel training were increased 25% in 1985.

In 1986, Lyonnaise will continue to strengthen its positions in its principal sectors, both in France and abroad. Its activities will be given a new dimension by the recent developments achieved in the communication sector, especially in the operation of cable networks.

Accor

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Accor shareholders approved the Group's 1985 financial statements. Net earnings for the year, excluding exceptional items, amounted to FF 178.2 million, an increase of 25.5% as compared to 1984, and an increase of nearly 100% as compared to 1983, the year the Accor Group was formed.

After tax earnings per share before exceptional items rose 182% over the 1984 figure. The Meeting voted a per share dividend payment of FF 5.80 (to which is added a tax credit of FF 2.90 for a total yield of FF 8.70 per share), an increase of 18.4% over the 1984 dividend. The dividend is payable August 4, 1986.

These results stem from the policy of strong growth Accor has applied over the last several years in France and abroad in the four business sectors in which we intend to be among the world leaders: Hotels, Commercial Restaurants, Institutional Food, Service and Meal Vouchers.

Our first objective: growth in Europe

Accor, now operating in 64 countries, is moving closer to achieving its objective of a strong European presence outside France. In 1986, we will begin to reap the fruits of our investments in Germany, Great Britain and the Benelux countries.

Our second objective: quality products and services

Accor's policy is to offer strong, clearly defined products and services whose quality combined with Group productivity, are in great part responsible for our growth in profits. The ambitious training programmes developed and offered throughout the Group are one of the cornerstones of this policy.

1986 will be a year of further expansion in France and in other international markets in our main sectors of operation:

- in France, where our successful takeover bid for the CNIT, Paris' largest exhibition centre, will give us another base for domestic growth;
- in Africa, and above all in North America, where we plan to strengthen and expand the projects now under way;
- in South East Asia and the Far East, where we will continue to pioneer in the hotel sector, as demonstrated by our recent association with Shui-On, a large Chinese construction company based in Hong Kong.

Both sales and earnings have progressed satisfactorily in the first four months of 1986. They have surpassed the objectives set in a time context in which the price controls clamped on the hotel industry in France will finally be lifted. This will allow us the flexibility we need for fast reaction to changing market trends. Growth in Accor's 1986 consolidated net income promises to be more than 25%.

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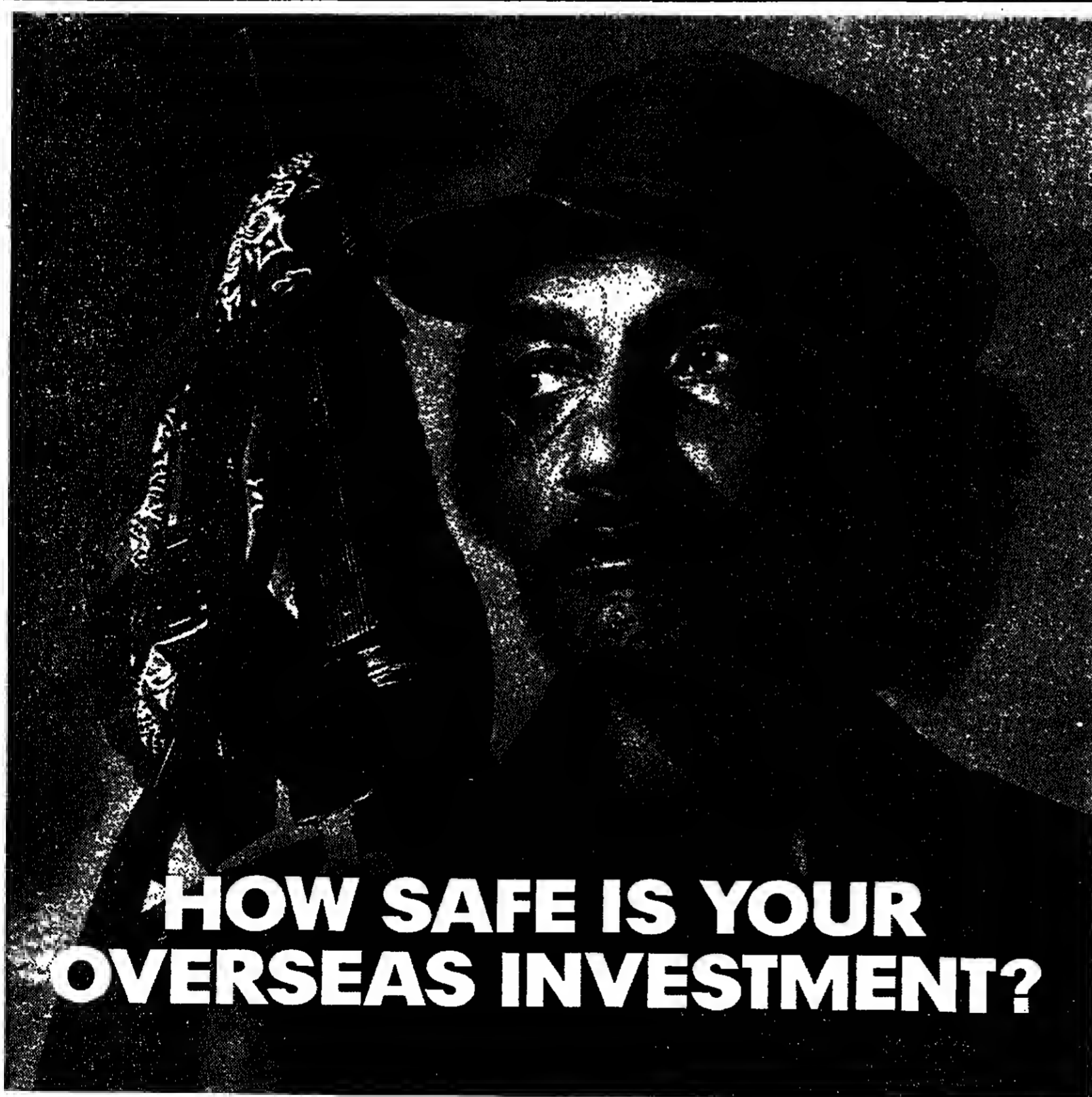
POWER FINANCIAL CORPORATION



(Photos: Messrs. Burns, Desmarais Jr., Plessis-Rétair)

The Board of Directors of Power Financial Corporation is pleased to announce the appointment of James W. Burns as Chairman and Chief Executive Officer, Paul Desmarais Jr. as President and Michel Plessis-Blair, C.A., as Senior Vice-President, Finance and Administration.

The Board also announced the appointments of A. Frank Knowles, C.A., as Deputy Chairman and The Honourable P. Michel Pitfield, P.C., Q.C., as Vice-Chairman.



HOW SAFE IS YOUR OVERSEAS INVESTMENT?

Overseas investment can open the door to major growth, but there are risks involved.

For a company to invest in many of the developing countries without insurance is to ride a fine line between success and financial disaster.

Political upheaval, expropriation and indeed war can all restrict a company's means of transferring money back to the UK.

Remittances can be frozen indefinitely, damaging cashflow and seriously affecting long-term plans.

It is possible, however, to avoid many of the financial risks of new overseas investment.

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ECGD
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UK COMPANY NEWS

Reed profit surge prompts 10% jump in market value

BY TONY JACKSON

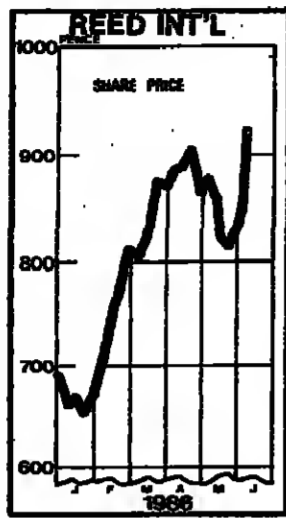
Reed International astonished the market yesterday with a 39 per cent jump in second half pre-tax profits, bringing the total for the year to end March to £137.4m, 29 per cent up on last year. Reed shares closed 86p higher at 830p.

The bulk of the profit increase came in paper and packaging, sectors in which Reed has reduced its investment over the years. Journal and consumer publishing, targeted as a growth sector, showed lower profits.

There was a particularly sharp improvement in the European paper division, where profits went from last year's £2.3m to £14.9m for the year. Mr Kenneth Morton, group finance director, said the improvement was due to the combination of greater energy efficiency and lower raw material costs.

In the past few years Reed has closed a number of its less profitable mills in the UK, and switched from oil-fired plants to coal or natural gas. In addition, 85 per cent of the group's paper-making capacity is now based on waste paper, prices for which have slumped in recent months.

Profits from North American paper almost doubled, from £7.5m to £14.2m. Mr Morton said that a three-year rebuild programme for the four machines at the Quebec mill, which had increased capacity by 20 per cent to 370,000 tonnes a year, had been completed in May. "It was the first time



we had continuous use of the mill throughout the whole year," he said.

Packaging profits jumped from £18.4m to £27.4m. "Every unit had a good year," Mr Morton said. "We have had a number of redundancies in past years, and these figures include around £2m of provisions."

Raw materials, in particular, were cheaper, and the group's investment in plastic packaging had started to pay off.

The Reed publishing division produced a modest profit increase from £56.4m to £67.2m, a 22 per cent increase for the year and consumer publishing saw profits fall from £10.9m to

£7.0m. Mr Morton said "we spent some £10m on consumer magazines, selling 10 relatively insignificant titles and reduce the labour force by 450. But the payoff will be rapid, and we are feeling very comfortable about the division now."

The figures included exceptional losses of £12.7m, made up of £22m losses on rationalisation and the sale of some businesses offset by profits on the sale of the Reuters holding and other businesses of £2m. Extraordinary costs below the line of £15.4m were due to the sale of the building products division, offset by a small profit on the sale of the decorative products business.

There was a one-off gain of £13m from reduced contributions to the group pension fund. Mr Morton stressed that this was not pension holiday, but a lower level of contribution which would be actuarially sustainable at least until the early 1990s.

The tax charge fell from an effective 40 per cent to 31 per cent. Mr Morton said this was due to three factors—the lower rate of standard UK tax, an £8m clawback on ACT due to increased UK profits, and zero tax on doubled profits in Canada due to the £100m investment at the Quebec mill.

Earnings per share were 48 pence higher at 79.5p. The final dividend was 16p, making a 22 per cent increase for the year at 22.5p. See Lex

HS continues US expansion

Hawker Siddeley, international electrical and mechanical engineering group, has purchased for US\$10m (£6.5m) cash Electro Corporation, a privately-owned concern based in Sarasota, Florida.

Electro manufactures a range of motion, presence and position sensing components and equipment for the industrial, automotive, military and aerospace markets.

Hawker says that its continuing strategy of expanding the electrical and mechanical engineering interests in the US brings the turnover of the group's subsidiaries there to more than £250m.

Carl Fischer move blocks £8m offer for Boosey

BY CHARLES BATCHELOR

Carl Fischer, the private US music publisher which is the largest shareholder in Boosey & Hawkes, yesterday increased its stake to 50.1 per cent in a move which blocked last month's £8m bid approach from Music Sales.

Barclays Merchant Bank, acting on behalf of Fischer, bought 20,335 of Boosey's 4.9 per cent £1 preference shares for £1.275p each. Fischer and its Employees' Retirement Income Plan previously held a 49.25 per cent stake.

Barclays said the purchase had been made to support Mr

Ronald Asserson, the Boosey chairman, in his efforts to turn the company round. Each preference share carries four votes.

While Fischer's previous holding of just under 50 per cent gave it effective control of Boosey, the additional share purchase made any hostile bid impossible, Barclays added.

Music Sales, a privately-owned British sheet music publisher, offered 215p cash for each ordinary share and par for each £1 preference share. Boosey's shares were unchanged at 180p yesterday.

Wight Collins listing suspended

By Alice Rawsthorn

THE SHARES in the advertising agency, Wight Collins Rutherford Scott, were suspended yesterday. The agency has just concluded the acquisition of the London advertising agency, FCO, and is understood to be in the final stages of acquiring the US advertising and public relations group, HEM-Cremer.

Wight Collins has been scouting about for acquisition opportunities in the US for the last year or so. HEM-Cremer, which is the 24th largest advertising agency and 15th largest public relations consultancy in the US, was formed by the merger of Boston-based HEM and the New York agency, Cremer, in 1984.

Last year HEM-Cremer had billings of \$312m (£213m) according to the US magazine, Advertising Age. Its largest clients include Nestlé, Digital, Sheraton Hotels and Bank of Boston.

The acquisition of HEM-Cremer would represent Wight Collins's first diversification overseas. The deal is thought to be worth around £25m. A spokeswoman for Wight Collins said that the agency "could neither confirm, nor deny" reports of the acquisition yesterday.

Since its flotation in September 1984 Wight Collins has adopted an active acquisition policy. It purchased the public relations consultancy, Eiss, Lancaster, in February last year, and agreed terms with FCO last month.

The agency has agreed to acquire FCO for a maximum of £6.75m, composed of £1.5m in cash, £1.5m in shares and a profit-related consideration. After completion, FCO will function as an autonomous agency within Wight Collins.

When its preliminary results are announced next month, Wight Collins is expected to produce pre-tax profits of £2.5m in the year to April 30, an increase of 66 per cent on the previous financial year.

Lisa Wood on Dee's proposed £686m purchase of Fine Fare Gateway to the first division



Mr Alec Monk (right), the chairman of Dee Corporation, and Mr Gary Weston, the chairman of Associated British Foods

Dee Corporation, with its International stores, Gateway Food markets and Carrefour superstores, yesterday was promoted to the first division of UK food retailers with its agreed purchase of the Fine Fare and Shoppers Paradise outlets of Associated British Foods.

Dee described the proposed deal as "a strategic opportunity" while Associated British Foods, one of the UK's biggest millers and bakers with brands including Sunblest, welcomed the opportunity to relinquish its food retailing interests in order to concentrate on food manufacturing.

The Fine Fare group, a middle ranking food retailer with annual sales of some £1.2bn, operates 280 stores under the Fine Fare banner and 130 under the Shoppers Paradise limited-range discount store fascia.

The group has a strong regional presence in Scotland, the North East and the Midlands. The deal should make a snug geographical fit. Dee, with 12 Carrefour and 751 Gateway outlets, with sales of £1.85bn a year, is strongest in Wales and the south of England and has no Scottish presence.

According to Dee, the merged business will command some 11 per cent of the UK packaged grocery business after the disposal of a limited number of stores.

Measurement of the UK packaged grocery business (fresh foods business) by AGB, the research organisation, ranks Sainsbury at 17.9 per cent of this trade and Tesco 13.5 per cent. Dee's acquisition moves it into third place ahead of the Co-op.

The deal comes hard on the heels of Dee's £276m acquisition of Harman's sporting goods, a leading sports retailing chain.

Dee said yesterday that in "an ideal world" it would have liked to have speeded the two acquisitions over a longer period. The deal, however, would not have had to contemplate another major transaction so soon.

The deal does not, however, come as a surprise to the City. Sainsbury at 17.9 per cent of the market, the chairman of Associated British Foods (ABF), Fine Fare's parent, 13.5m new ordinary shares which means that ABF will take a 15.4 per cent stake in the new enlarged group.

As a result, Dee will increase its total issued share capital by 32 per cent to 877.6m ordinary shares.

Under the deal, the shares issued to ABF will be fully paid. The shares to be placed will be sold at 237p each, in partly-paid form: 500p per

national stores—and the out-of-town Carrefour superstores. Fine Fare outlets of less than 30,000 sq ft will be integrated into the Gateway chain. These of more than 30,000 sq ft will become part of the fast-expanding Carrefour chain which, taking into account the recently-acquired former Woolco stores, are forecast to grow from the present 12 to some 70.

Dee said: "The integration of these large stores under the Carrefour fascia will give rise to very significant economies of scale, more effective advertising and data processing, improved buying of non-food lines, a lower ratio of overheads to sales and, therefore, better margins, improved distribution costs, greater financial strengths and the ability to command greater access to potential large store sites."

Not said Dee, that the incremental benefits would arise immediately. Some could take at least three years to fully materialise.

In giving a glimpse of even tougher competition for expensive out-of-town sites, Dee said that its improved balance sheet would provide it with the platform to "compete on more equal terms with the other leading food retailers for sites." It is all part of the trend towards greater concentration of buying power in the hands of the major retailers. It is ironical and indicative of the growth of Dee that in 1983 the Monopolies and Mergers Commission, investigating the then Linfood Holdings bid for Fitch Lovell, the food group, concluded that "in spite of increased buying power, the merger would on balance be beneficial by providing a source of countervailing power over the likes of Sainsbury and Tesco."

of taking over small and medium-sized "grocery" chains that were unable to compete in the aggressive market place and turning them into well managed businesses.

There have been disappointments though, such as the abortive bid in 1985 for Booker McConnell, the food distributor, agricultural and health products group.

The deal announced yesterday will give Dee a strong national presence, with all the benefits of economies of scale and the ability to generate a strong cash flow to enable it to invest at the high levels now being recorded by other of the major multiples in their attempts to improve their images and locations.

The City yesterday accepted

the rationale behind the deal. Mr John Richards, of Wood Mackenzie said: "This is another twist in the competitive spiral." He said the impact would be greatest on the smaller retailers and the second rate. He added that although the deal put Dee alongside the major players it still had a lot of work to do on both the fabric and the image of its outlets.

Mr Richards compared Dee's strategy favourably with that of Argill. "Mr Monk is nearly there. Mr Gulliver of Argill is not he said.

Dee yesterday detailed its strategy with the new outlets being divided between its High Street Gateway Food markets—which are currently incorporating the downmarket Inter-

share to be paid on application, with 137p per share due for payment on September 26 1986.

Lazard Brothers is conditionally placing the 147.5m new ordinary shares. The placing has been jointly underwritten by Lazard Brothers and Swiss Bank Corporation, with Rowe & Pitman acting as brokers to the placing.

Existing shareholders will be entitled to apply for 110,603,881 ordinary shares — 75 per cent of the shares conditionally placed at 237p per share, partly paid. Shareholders will be able to apply for any number of shares, though supply will depend on demand.

Applications in a propor-

tion of four new shares for every 17 existing shares held on May 30 will be satisfied in full.

Dee is acquiring the outstanding debentures of Fine Fare totalling £345.6m (to be satisfied by the vendor placing). Included in these debentures is a loan of £39.6m which will be represented by a corresponding cash balance in the Fine Fare group when it is bought by Dee.

ABF has undertaken to retain its 15.4 per cent stake in Dee for at least six months. It has also undertaken to sell no more than 30m shares during the following six months. It has agreed not to sell any of the shares for two years without prior consultation with Dee, Lazard said.

Largest ever vendor placing in the City

DEE CORPORATION'S proposed purchase of Fine Fare for around £686m includes the largest ever vendor placing seen in the City of London: 147.5m new Dee ordinary shares placed at 237p to raise £349.6m, writes Lionel Barber.

Dee is also issuing to Associated British Foods (ABF), Fine Fare's parent, 13.5m new ordinary shares which means that ABF will take a 15.4 per cent stake in the new enlarged group.

As a result, Dee will increase its total issued share capital by 32 per cent to 877.6m ordinary shares.

Under the deal, the shares issued to ABF will be fully paid. The shares to be placed will be sold at 237p each, in partly-paid form: 500p per

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Bardon Hill 9% higher

Bardon Hill Group, the Leicester-based quarrying concern, raised pre-tax profits by 9 per cent from £4.29m to £4.67m for the year ended March 31, 1986.

Turnover was boosted significantly from £33.2m to £77.9m, by £39m achieved from fuel distribution activities, part of the Vectis Stone group acquired in August, 1985.

After-tax earnings per 10p share increased from 7.89p to 8.76p. There is a final dividend of 2.35p making a total of 3.25p, compared with 2.82p.

The company shares are traded on the Over-the-Counter market by Grant & Co.

Mr Peter Tom, the chairman, says he is confident that the company's recent acquisitions will strengthen the company's

presence in its traditional areas, while providing it with valuable access to new markets, particularly in the fuel distribution sector.

Bardon Hill now has fuel distribution operations covering South London, Kent, Sussex, the Isle of Wight, the Channel Islands and South Wales.

Around 20 per cent of the company's shares are held by institutions and private investors.

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corresponding dividend for last year	Total for year
Bardon Hill	2.35	—	2	3.25
JS Pathology	1.33	July 1	—	1.33
Reed Int	16	Aug 12	12.75	23.5
Sterling Publishing	2	July 28	—	2
TRN America	1.33	—	1.33	1.33
Valin Pollen	int 0.5	Aug 4	0.33*	1*
James Burroughs	2nd int 8	July 1	7.5	12
Fleming American	int 2	Aug 5	2	3.75

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock † Unquoted stock. † Over-the-Counter stock.

J. S. Pathology beats forecast

Compared with a forecast of £1.9m for the year ended March 31 1986, USM-newcomer JS Pathology has turned in taxable profits of £2.11m against a previous £1.36m, a rise of 55 per cent. Turnover expanded by 30 per cent from £4.25m to £5.53m.

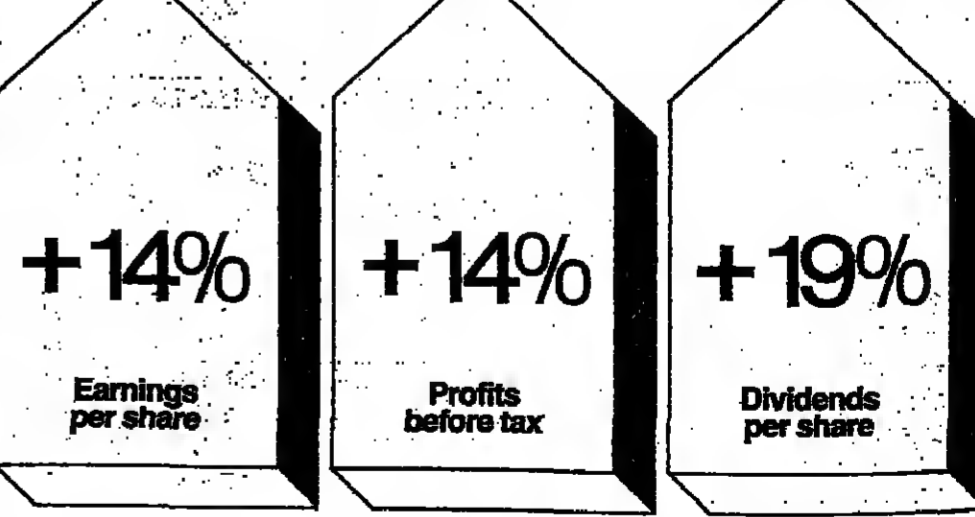
Mrs Jean Shanks, chairman, says the current year has started satisfactorily and, short of unforeseen circumstances, is confident of continued growth.

Profits were the highest income of £325,000 (£155,000) and subject to tax of £86,000, compared with £617,000. Earnings per share are given as 10.8p (6.6p) while the final single dividend of 1.33p will absorb £159,000 (nil).

JS, an independent clinical pathology laboratory, joined the USM last year with a placing of 1.88m shares at 160p each, which gave a market capitalisation of £19m.

McCORQUODALE PLC

Interim Results for the half year ended 31 March 1986



- New market and business opportunities are constantly being examined.
- The group is confident of sustaining organic growth.
- All businesses—International Security printing, Book and Magazine printing, Publishing, and Packaging and International colour cards—report improvements.
- Results confirm nine year trend in profit growth.

If you would like more details of our interim results, write to: PO Box 66, Telford Road, Basingstoke, Hants. RG21 2YA.

TURNOVER UP 87.9%

PROFITS £4.8m

TV-am

If you would like to find out the inside story of Britain's most popular breakfast television programme, please write for a copy of the annual report to The Finance Director, TV-am Limited, Breakfast Television Centre, Hawley Crescent, London NW1 8EF.

TWO YEAR REVIEW	Years ended 31 January	
	1985	1986
Turnover	5000	9000
Operating profit/(loss) before Exchange rate	15,582	29,273
Profit/(loss) on ordinary activities before taxation	(1,547)	9,372
Profit/(loss) on ordinary activities after taxation	(2,091)	4,827
	(2,091)	4,781

TV-am has consistently achieved a 64% share of the breakfast TV audience, reaching an average weekly audience in excess of 12.5 million. Advertising revenue over the past two years has grown from £7m to £28.8m.

Mr Timothy Aitken, the Chairman, stated "TV-am is now established as a profitable business, broadcasting the most popular breakfast television in the UK.

"Since the end of the year a scheme of arrangement became effective under which the accumulated deficit on the profit and loss account was substantially reduced.

"1985 represented an important milestone in the development of TV-am and the outlook for the current year is encouraging."

BRITAIN'S No. 1 BREAKFAST-TV PROGRAMME

UK COMPANY NEWS

JFB profit held back by irregularities at offshoot

BY PHILIP COGGAN

Johnson & Firth Brown, Sheffield-based metals and engineering group, has announced a first-half pre-tax profit of £1.5m, 29 per cent better than last year's first half. The company said that its performance would have been substantially better had it not been for a £1.5m loss over the last few years at the group's subsidiary, Gills Pressure Castings, which were due to financial irregularities. Thanks to a major internal investigation, the company hopes that the restructured Gills will incur a reduced loss of £150,000 in the second half. First-half losses were around £450,000, including a one-off factory closure costing £150,000. The board is paying one half of the £1.5m loss over the period to March 31 1986, which will be paid on July 14 1986. It is intended to pay the balance of arrears after the final results for the current financial year are announced.

At the end of the last financial year, JFB completely restructured the company to write-off its stake in Sheffield Forgemasters. Stake in both Cannon-Muskegon and Richard Lloyd were sold, the former resulting in an extraordinary credit of £1.9m. As a result, loan stock and bank borrowings are now at £18.7m, £13.5m less than year-end 1985.

Subsidiaries Firth Brown Casting and N. Greening each moved from a loss into a small profit in the six months. Associate companies Thomas Bolton & Johnson and Prescot Aluminium Company made steady progress and Prescot Trade Rollers again traded satisfactorily.

Mr J. M. Clay, the chairman, commented: "Despite the difficulties at Gills Pressure Castings, the results continue to improve and the board is confident that its policy of concentrating on high quality products will ensure further progress."

comment

After the rationalisation of the group and the loss of the millstone of Sheffield Forgemasters, Johnson & Firth Brown must have been hoping to present results free from incident. The problems at Gills scuppered those hopes but JFB must now pray that it has had its last nasty surprise for a while. Half year results are in line with analysts' expectations despite Gills and the shares closed unchanged at 89p. The rationalisation imposed by chief executive Roy Shephard is now showing through in improved results, particularly in the aerospace sector, and demand should stay on a steady upward trend. This full year profit should be around £4.5m, the bulk of which will disappear in a securitised dividend repurchase. Next year profit of £5.5m, assuming a 35 per cent tax charge, puts the shares on a prospective p/e of 2.5 which seems to reflect the group's recovery potential.

Thomson T-Line in bid for Longton

BY DAVID GOODHART

Thomson T-Line, the loss-making timber merchant recently taken over by entrepreneurs Mr Julian Askin and Mr Hugo Bierman, has launched a one-for-one share offer for steel stockholder and road hauler Longton Industrial Holdings, valuing the company at about £1.8m.

Thomson immediately increased the pressure on the Longton board by announcing it had already received undertakings, or indications of an intention to accept, from holders of 97 per cent of the Longton share capital. Among those who have agreed to accept the Thomson offer are certain members of the Dale and Drake families which founded the Longton company. The offer currently values each Longton share at 212p and Hambros Bank has agreed to provide a cash alternative at 190p per share.

Longton, which is expected to respond to the offer today, made pre-tax profits of £1.15m on

turnover of £52m in the year to March 31 1985. Thomson itself made a loss of £266,419 on turnover of £1.7m in 1985, but in December 1985 Mr Askin and Mr Bierman took a 61.5 per cent stake having previously failed to win control of Energy Services and Electronics. In February 1986 a rights issue raised £2.5m.

The new Thomson management says that its long-term decline has been reversed and the acquisition of Longton would expand its asset base and enable it to diversify into other businesses. Longton has assets of 10.9m.

Thomson, which will double its share capital if the offer is successful, has said that it intends to sell the two Longton companies which comprise the steel stockholding and engineering supplies division to a company in which Mr J. Dale, a former director of Longton, is interested.

Thomson closed 7p up at 212p and Longton 5p up at 215p.

Sterling Publishing hits target and orders improve

The Sterling Publishing Group has met the profits forecast it made for the 1985-86 year and says orders to date for the current year are 29 per cent ahead and on a rising trend.

The year to March 31 1986 saw turnover improve from £3.66m to £5.5m and profits by £438,000 to £338,000 pre-tax.

The original forecast, made in the prospectus last November, at the time of the company's entry to the USM, was for profits of £300,000 but this was later adjusted to £228,000 after adding back a provision of £28,000 no longer required for amortisation of goodwill.

As promised shareholders are to receive a dividend of 2p net

per 5p share. Earnings for the year rose by 1.53p to 4.49p.

Although the group intends to pursue its institutional publishing activities the launch of the independent titles took it into a new dimension of business publishing in which the directors say there is "no foreseeable limit to the expansion of its activities."

In the current year the group expects major revenue growth from its activities in the field of independent publications. A significant expansion of the range of titles is in progress and campaigns for five new titles have already been launched this year and orders to date indicate that significant contributions will be made to profitability.

Mansfield in £13m sale to J. W. Cameron

Mansfield Brewery is selling 78 pubs and clubs and a further 12 licensed sites to J. W. Cameron, the Hartlepool-based brewery for £13m in cash. Most of the properties being sold come from the estate of North Country Brewery, the Hull-based brewing division of Northern Foods, which Mansfield acquired in May 1985 for £32m.

Mansfield plans to spend the proceeds of the sale on refurbishing and modernising its remaining outlets. Immediately before the sale to Cameron it owned more than 400 outlets and distributed to more than 1,100, mainly in north Nottinghamshire, South Yorkshire and Humberside.

This deal will expand Cameron's existing operations in Humberside and South Yorkshire. Cameron is a wholly-owned subsidiary of Elkemans Holdings, which also owns Toffemache and Cobbold of Ipswich.

Completion of the sale is expected by the end of June.

Northern Foods buying Beecham Irish offshoot

Beecham Group, the troubled pharmaceutical and consumer products group, is selling Beecham's Irish canned and frozen foods business in Ireland Northern Foods for £14m (£12.5m).

Mr John Robb, Beecham's chief executive said: "The frozen foods business in Ireland is the only one of its kind in the group and is regarded as being peripheral to our main-stream activities."

Beecham has been selling some of its non-core businesses following the ousting of Sir Ronald Halstead as chairman a little more than six months ago.

Beecham's in Britain and Ireland was originally owned by Unilever. In 1981 the Irish operation was sold to its management later being bought by BOC in 1983 and by Beecham in 1984 for £2.7m. Beecham in Britain remains part of Unilever.

Beecham's - claims brand leadership in Ireland in canned foods while its Green Isle

frozen food brand is the second largest in the country.

Beecham's in Ireland now employs about 500 people and has factories in Banagher, Athy and two in Dublin. It made a pre-tax profit of £1.7m on sales of £55.4m in the year ended March 1986.

Beecham has reached agreement in principle on the sale, which is expected to take effect from June 30, subject to the approval of the Minister for Industry and Commerce in Dublin.

Beecham continues to operate a consumer products business in Ireland marketing toiletries, over-the-counter medicines and drinks such as Lucozade, Ribena and Borell.

Northern Foods has made two major acquisitions during the past 15 months, paying £21m for Bowyers, the meat pie maker, last June and £21m for the north of France milk business of Express Dairies, part of Grand Metropolitan, in March 1985.

Lloyds extends Standard offer

Lloyds Bank yesterday extended its £1.2m takeover offer for Standard Chartered Bank until 3.00 pm on June 24. By Tuesday's first deadline for acceptances, Lloyds had received only 0.29 per cent of Standard's shares, it reported yesterday. These did not include the 0.28 per cent of Standard's shares held by Lloyds staff pension funds, which have not yet decided whether to accept the offer.

Lloyds Bank itself does not own any of Standard's shares. Lloyds shareholders are due to vote on the bid at an extraordinary meeting in London on Friday. Anti-takeover representatives have threatened to mount a demonstration to protest at the proposed takeover because of Standard's involvement in South Africa.

Ferruzzi sets up in UK

Ferruzzi Group, an Italian agricultural concern which is bidding for London-based S. & W. Berisford, has established a UK holding company to handle its British interests.

Last week Ferruzzi acquired 28m Berisford shares - from Hilldown Holdings and yesterday a spokesman for Ferruzzi said the shares had been purchased through Helpbrook, a newly-created company controlled by a Ferruzzi subsidiary. In all, Ferruzzi now controls

23.74 per cent of Berisford, the stake being held by Helpbrook.

The spokesman said that if the bid was successful Beghin Say, a French sugar refiner also controlled by Ferruzzi, would acquire a stake in Berisford by acquiring a holding in Helpbrook.

Tate & Lyle and Hilldown Holdings both put in bids for Berisford but following a reference to the Monopolies Commission the offers lapsed.

Times Veneer offshoot sold

Corporate Development International (Holdings), the investment company run by former journalist Mr David Burne, has sold more than half its 50 per cent stake in furniture company Times Veneer.

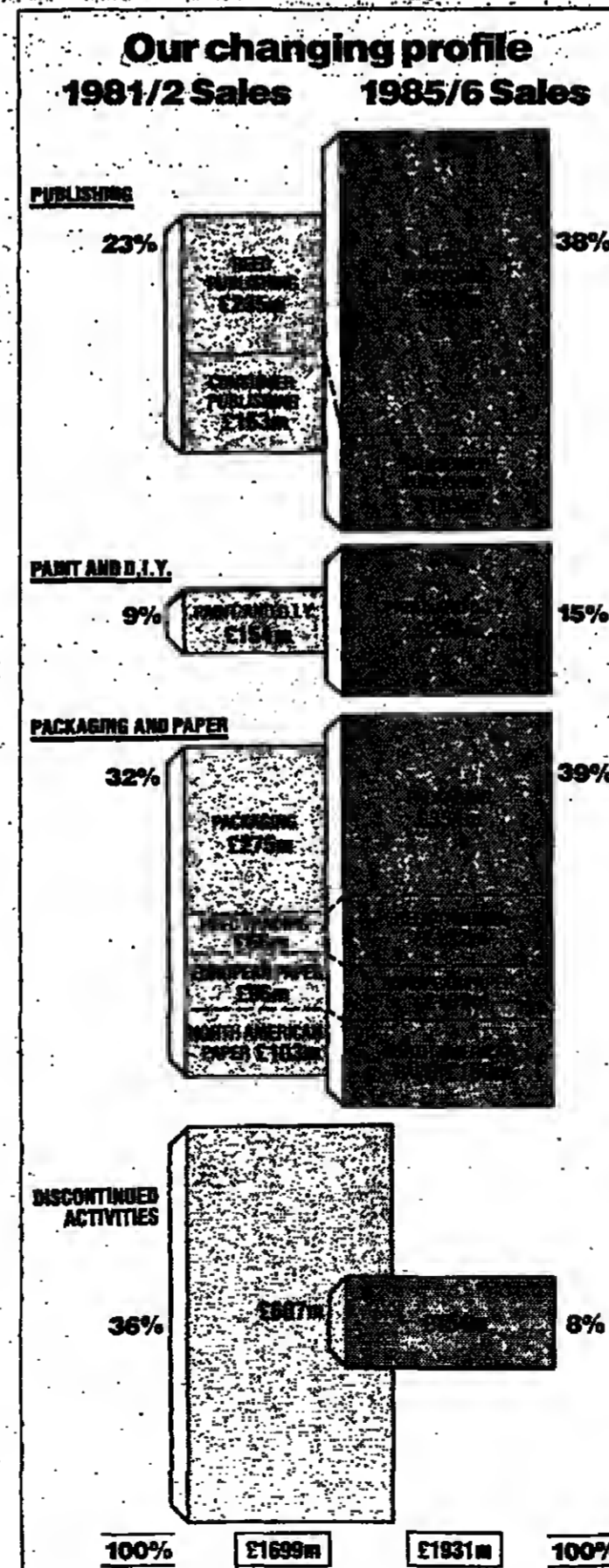
It has disposed of 3.76m shares - just under 30 per cent of the capital - to Pebble Investments. At yesterday's share price of 25p that would have raised about £1m for CDI.

CDI, whose main shareholder is Jersey-based Pattern Securities, holds major stakes in a number of small public companies including Kraft Productions and Dura Mill.

It bought its 50 per cent stake in Times Veneer from the controlling Berman family in the middle of last year, and said at the time it was keeping all options open for "investment in other fields and in other countries should attractive opportunities arise."

Interim figures released in October last year showed Times Veneer's pre-tax profit doubled from £54,000 to £111,000, on turnover up from £2.7m to £3.42m.

REED INTERNATIONAL PLC Well positioned for growth



PRELIMINARY RESULTS FOR YEAR ENDED 31 MARCH 1986

	1986 £m	1985 £m	% increase
Turnover	1,931	2,115	
Operating profit - UK	81	68	
- Overseas	72	60	
Profit before taxation - UK	153	128	20
- Overseas	72	53	
Taxation - UK	65	55	
- Overseas	137	108	27
Profit before extraordinary items	(25)	(22)	
Extraordinary items	(18)	(22)	
Profit attributable to ordinary shareholders	94	64	47
Earnings per ordinary share	(15)	15	
Dividend per ordinary share	79	79	
(Final dividend of 16p per ordinary share)	79.5p	53.6p	48
	22.5p	18.5p	22

OPERATING GROUP TRADING RESULTS	1986 £m		1985 £m	
	Sales	Trading Profit	Sales	Trading Profit
Reed Publishing	578	67	511	57
Consumer Publishing	183	7	176	11
Paint and DIY	288	19	247	17
Packaging	359	28	334	19
Reed Trading	158	8	142	8
European Paper	175	15	196	2
North American Paper	161	14	185	8
Central Costs	-	(6)	-	(8)
Continuing activities	1,902	152	1,791	114
Discontinued activities	158	(2)	499	13
Inter-company Sales	(129)	-	(175)	-
Total	1,931	150	2,115	127

From the Statement by the Chairman, Leslie Carpenter: "I consider that these results represent an excellent outcome for the year, and provide a sound basis for the future. Our objectives and strategy are clear. We shall continue to concentrate our resources and investment on those activities where our skills and experience lie and where we expect to achieve both growth and greater profit. These include business and consumer publishing, the decorative paint and DIY sectors of the home improvements market, and packaging and paper. We shall maintain our geographic spread, focussing particularly on the United Kingdom and North America. Action already taken is moving Reed International towards these objectives. With the growth in earnings per share expected to continue at levels well above inflation, and with a strong financial base, I believe that Reed International can face the future with confidence."

The Annual Report will be published on 28 June 1986. If you would like a copy please complete the coupon and send to: Corporate Relations, Reed International PLC, Reed House, 83 Piccadilly, London W1A 1EJ.

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DAVIES & NEWMAN HOLDINGS PLC

SUMMARY OF RESULTS	1985 £000	1984 £000
Turnover	287,516	242,846
Profit before taxation	1,050	3,107
Profit after taxation	482	2,334
Shareholders' funds	17,504	17,612
Dividend per share	10p	9.1p
Earnings per share	6.9p	33.2p

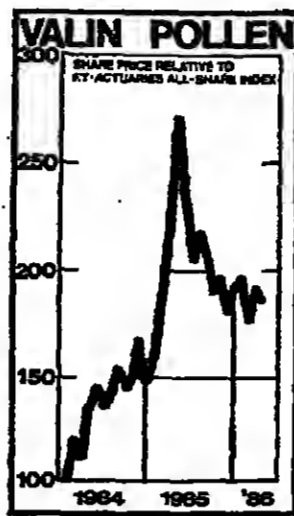
Copies of the Directors' Report and Accounts may be obtained from the Secretary, Davies & Newman Holdings P.L.C., 88-90 Broad Street, London, EC2M 1NH.

DAN-AIR
5 million passengers in 1985.
New route Manchester - Amsterdam.

UK COMPANY NEWS

Valin Pollen shares leap on 76% profit increase

Valin Pollen International, the corporate public relations group, saw its shares move ahead sharply yesterday on the announcement of a 76 per cent increase in interim taxable profits to £278,000. The result compares with £500,000 last time, and sent the company's shares up 30p to 205p, before slipping back to close at 185p.



of £52,000 (£7,000). Tax takes £84,000 (£218,000), minority interests debits £8,000 (£8,000) and there is an extraordinary charge of £80,000 (nil).

comment

Valin Pollen's shares have turned steadily in the past year or so, but staged something of a resurgence yesterday rising by 20p to 195p when these results sailed in ahead of expectations. The growth figures for profit and income are impressive enough, but costs are rising sharply and show little sign of slowing down. Like every other City advertising and public relations group, Valin Pollen has profited from the recent rush of bids and new issues, but competition is intensifying as West End agencies like Saatchi & Saatchi and Lowe Howard-Spink Bell muscle into the City. Valin Pollen is nothing if not flexible, however, and is turning its attention towards specialist spheres such as investor relations. New business is still rolling in and the City expects profits of £2m and a p/e of 21 for the full year. Just as Valin Pollen has benefited from the bull market, it could suffer if the market turns bearish. Although after the demise of the proposed merger with Good Relations, the management has been scouting about for acquisition opportunities in the US to broaden its income base.

Beefeater keeps up growth but cautious

GROWTH AT the James Barrington group of spirit distillers (Beefeater Gin, Borzoi Vodka) has been maintained in the year ended February 28, 1986, but the directors are approaching the current year more cautiously.

Mr Norman Burrough, chairman, says there has been an excellent start to the year. But the anti-alcohol lobby is as strong as ever, particularly in the US. The group is unlikely to benefit from exchange rates, and tourism is likely to be much reduced.

However, the year should be satisfactory, he adds. In 1985-86 the group produced a record turnover up 7.2 per cent from £57.4m to £61.4m, and pre-tax profit of £8.57m, a 6.6 per cent rise on the previous £8.33m. The company's shares are traded on the Over-the-Counter-Market made by Granville.

White sales of spirits generally to North America have been declining, with Beefeater Gin no exception, the group continues to benefit from the overall strength of the dollar, and has achieved good growth in markets elsewhere.

In the home market, sales volume has continued to increase with wider distribution. The investment in Pioneer Computer Group, completed last November, is still at an early stage but is on course.

The year's dividend is lifted by 14.3 per cent to 12p net (18.5p). The second interim is 8p.

After tax and minorities, net profit for the year came to £5.2m (£4.6m) for earnings of £5.6p (31.7p). There is a £246,000 extraordinary profit from the sale of James Burrough Leasing.

Henry Boot

Highlights of the 1985 Annual Report and Statement of the Chairman, Mr. E. H. Boot

Final dividend of 5p per Ordinary Share recommended making a total of 6p for 1985. Loss reported at half year worsened to £7.1m before taxation - majority of loss relates to Kwai Chung Container Base Contract - loss recorded on Southern and Property Development Companies - closure of Malaysian operations - Group financially sound - borrowings down to £7.4m and net assets £20m - full provisions made for all known losses.

TRADING - UNITED KINGDOM Building and Civil Engineering - increasing profitability in North and Scotland - South East disappointing. Railway Engineering - difficult year - decline in U.K. following miners' strike - delays on export orders. Joinery - increasing competition - does not merit capital expenditure. Plant - maintains profitability.

TRADING - INTERNATIONAL Losses already outlined - claims being vigorously pursued; Hong Kong - Phase II Mass Transit Railway Contract profitably completed - awarded trackwork on Phase I Tuen Mun Light Rail System - Landscaping expanding; Singapore - trackwork joint venture proceeding for Mass Rapid Transit Corporation - Malaysia operations closed.

TRADING - PROPERTY Investment and Management - very satisfactory - improved profits. Development - management strengthened and long term schemes come to fruition in 1986 - substantial lettings and sales being negotiated.

GENERAL Disappointment at results - management team strengthened - trading in first quarter of 1986 within budget - conditions indicate continuing improvement and return to profitability in 1986.

SALENT FIGURES	1985	1984
Turnover	£'000	£'000
(Loss)/Profit on ordinary activities before taxation	182,828	153,347
(Loss)/Profit on ordinary activities after taxation	(7,122)	4,054
Tax on (loss) profit on ordinary activities	(1,161)	(11,108)
(Loss)/Profit on ordinary activities after taxation	(8,290)	2,945
Minorities and extraordinary items	(656)	(1,264)
(Loss)/Profit for the financial year	(8,946)	(1,681)
Ordinary dividends	318	765
(Loss)/Earnings per 50p Ordinary share	(17.89p)	55.3p
Total dividend per Ordinary share	6.0p	14.5p

Copies of the Report and Accounts obtainable from the Secretary, Henry Boot & Sons PLC, Banner Cross Hall, Sheffield S11 9PD.

TRADING - UNITED KINGDOM Building, Civil Engineering, Homes, Railway Engineering, Joinery and Plant

TRADING - INTERNATIONAL Civil Engineering, Railway Engineering, Landscaping

PROPERTY AND INVESTMENT Development, Property

We are pleased to announce that our Japanese Department specialising in Japanese equities related products and financial instruments is now formally open.

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For further information please contact: Graham Hammond, Head of Japanese Sales, Lang & Cruickshank, Place House, London EC2R 7JG. Telephone: 01-252 9711 (direct)

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U.S. \$100,000,000 SANDOZ

Floating Rate Depository Receipts Due 1992

Issued by The Law Debenture Trust Corporation, a U.S. corporation established in the State of New York.

ISBTUTO BANCARIO SAN PAOLO DI TORINO

(Incorporated in the Republic of Italy as a Credit Institution of Public Law)

London Branch

On the six month period 4th June 1986 to 4th December 1986

Receipt will carry an Interest Rate of 7 1/4% per annum with an Interest Amount of US\$345.36 per US\$10,000 Receipt.

Relevant Interest Payment Date will be 4th December 1986.

Bankers Trust Company, London Agent Bank

Meadow Farm £4m purchase

Meadow Farm Products has reached provisional agreement to acquire North Devon Meat, a farmers co-operative based in Torrington, for a total of nearly £4m.

For the year ended March 30 1985, North Devon Meats achieved pre-tax profits of £27,000 on sales of £58.9m. In the year to March 29 1986, sales are likely to be broadly the same but pre-tax losses of £500,000 are expected. It has assets of £3.5m.

Meadow Farm will make an initial cash payment of £2.5m out of its existing cash resources with further payments of £407,000 in December 1987, £359,000 in December 1988 and £684,000 in December 1989.

BOARD MEETINGS

TODAY	TUESDAY
Interim: Aetna Mines, Grosvenor Proprietary Mines, Heavitree Brewery, Marleville Consolidated Mines, McLeod Russell, St Helens Gold Mines, Gillingham Gold Mining, West Rand Consolidated Mines.	Trust, Hildens, Piccadilly Radio, Rella Hotel, Heston Services, Emarsize Investment, Strabovous, Suez Investments.
Interim: Aetna Mines, Grosvenor Proprietary Mines, Heavitree Brewery, Marleville Consolidated Mines, McLeod Russell, St Helens Gold Mines, Gillingham Gold Mining, West Rand Consolidated Mines.	FUTURE DATES
Interim: Aetna Mines, Grosvenor Proprietary Mines, Heavitree Brewery, Marleville Consolidated Mines, McLeod Russell, St Helens Gold Mines, Gillingham Gold Mining, West Rand Consolidated Mines.	Camford Engineering June 11
Interim: Aetna Mines, Grosvenor Proprietary Mines, Heavitree Brewery, Marleville Consolidated Mines, McLeod Russell, St Helens Gold Mines, Gillingham Gold Mining, West Rand Consolidated Mines.	Electronix June 11
Interim: Aetna Mines, Grosvenor Proprietary Mines, Heavitree Brewery, Marleville Consolidated Mines, McLeod Russell, St Helens Gold Mines, Gillingham Gold Mining, West Rand Consolidated Mines.	French (Thomas) June 12
Interim: Aetna Mines, Grosvenor Proprietary Mines, Heavitree Brewery, Marleville Consolidated Mines, McLeod Russell, St Helens Gold Mines, Gillingham Gold Mining, West Rand Consolidated Mines.	LPA Industries June 24
Interim: Aetna Mines, Grosvenor Proprietary Mines, Heavitree Brewery, Marleville Consolidated Mines, McLeod Russell, St Helens Gold Mines, Gillingham Gold Mining, West Rand Consolidated Mines.	London South June 16
Interim: Aetna Mines, Grosvenor Proprietary Mines, Heavitree Brewery, Marleville Consolidated Mines, McLeod Russell, St Helens Gold Mines, Gillingham Gold Mining, West Rand Consolidated Mines.	North British Steel June 12

NOTICE OF ADJUSTMENT TO CONVERSION PRICE

SANDOZ

SANDOZ Holding Netherlands B.V.

(Incorporated with limited liability in the Netherlands)

U.S. \$99,541,000

4 1/4 per cent. Guaranteed Convertible Debentures due 1997 (the "Debentures").

Convertible into 169,000 Bearer Participation Certificates of Sfr. 50 par value each, and unconditionally guaranteed by,

SANDOZ Ltd

(Incorporated with limited liability in Switzerland)

We refer to the capital increase of SANDOZ Ltd and the corresponding notice to holders of the Debentures on 22nd May, 1986.

Notice is hereby given in accordance with Condition 7(C) and Condition 15 of the Debentures that as at and from the date of this Notice each Debenture may be converted into Bearer Participation Certificates of Sandoz Ltd ("BPCs") at the rate of 5.3351 BPCs for each Debenture equivalent to a conversion price of US\$552.00 per BPC.

No fractional BPCs will be issued but a cash adjustment will be made in dollars as set out in the offering circular dated 24th June, 1985.

The Conversion Price in force up to the 12th May, 1986, when conversion rights on the Debentures were temporarily not exercisable until the date of publication of this Notice, was US\$589.00 per BPC.

5th June, 1986

By: SANDOZ Ltd, Basle

SANDOZ Holding Netherlands B.V., Amsterdam

June 1986

McIntosh Hamson Hoare Govett International Ltd.

has acquired an interest in

Hendry Hay McIntosh Ltd.

(formerly Hendry Hay Smythe & Horton)

Member of the Auckland Stock Exchange
New Zealand

McIntosh Hamson Hoare Govett Ltd.

A member of the Hoare Govett Group

In the Report and Accounts for the year 1985 the Chairman, Mr. R. E. Holland states: Strong growth in Life Branches

The outcome of the year's trading showed strong growth in the Life Branch surplus, offsetting continuing losses on our General Branch business. After relieving part of the exceptional weather losses by the transfer to revenue of the claims equalisation reserve, the company's after-tax results for the year increased from £14.55 million in 1984 to £17.69 million. Given the underlying strength of our life business, an increased final dividend of 28.75p is recommended, making a total for the year of 44p, compared to 33p for 1984.

New-business production in the Life Branches grew at a satisfactory rate, with group total new premiums increasing by nearly 23%, largely because of an increase in single premiums of over 50%, written mainly by Pearl Assurance (Unit Funds). There was also a substantial increase in self-employed pension business.

Life transfers from the parent company to the profit and loss account amounting to £21.72 million were buoyant, increasing by more than 34%, compared with 14% last year.

Largely because of the performance of our investments over the years, we have been able to make further improvements in terminal bonuses in both branches and to increase the reversionary bonuses in the Ordinary Branch by small amounts. Further, in order to achieve greater equity between different generations of policyholders in the Ordinary Branch we have declared special reversionary bonuses on older policies, and this has given rise to a one-off increase in the transfer to profit and loss account of over £2.25 million. Next year the transfer will revert to a more normal level. The higher bonuses, will, of course, lead to increases in the benefits payable this year under our policies, and in the Ordinary Branch these increases will be significant, thereby enhancing our competitive position.

Premium income in the unit-linked subsidiaries improved substantially, particularly for Pearl Assurance (Unit Funds). Because of a strengthening of the valuation basis, the surpluses generated within these companies were similar to last year. New premium rates were introduced last October and, assuming that the higher level of new business production in Pearl Assurance (Unit Funds) continues, this company's future surplus should increase at a satisfactory rate.

In contrast, the results of our General Branch business are unsatisfactory and it is no comfort to know that we are not alone in this respect. Exceptional weather claims from our UK domestic portfolio resulted in the business showing a trading loss for only the second time in the last 10 years. Remedial action is being taken and, in addition to premium increases introduced from 1st January, further increases and more onerous policy conditions will be applied to new and renewed business from 1st July.

Several sources of unprofitable business within our overseas and reinsurance portfolios have been cancelled over the last 18 months, including some extended warranty business last year, but the inherent late reporting of claims on such business and the need for reserve strengthening led to further loss provisions.

There are, however, positive signs of an improvement in the prospects for the profitability of non-life business generally, with a significant hardening in premium rates, particularly for commercial and reinsurance business. We therefore felt confident in launching on 1st January our new subsidiary company, Hallmark, to which I referred last year, to write direct general insurance business in the UK broker market, and also in continuing our London-based reinsurance operation, albeit on a more restricted basis.

However, our review of the Monarch, to which I also referred last year, led us to the conclusion that the prospects for its continuing operations in the USA were not good enough and the company was sold. The total proceeds from the sale were \$11.48 million, of which \$8.75 million was attributable to shareholders.

During the year we also felt it appropriate to transfer £2 million from the general reserve to a contingency provision to be available to meet our share of the support that is deemed likely to be necessary for the orderly run-off of Community Reinsurance Corporation and the First New York Syndicate, in each of which we have a minority interest. Both companies have ceased writing business. Any losses will be charged in the profit and loss account as expenses net of tax as they occur and met by an equivalent transfer from this provision. An amount of £235,000 was met in this way in the 1985 account.

In the past we have published separate balance sheets for short-term and shareholders' business. However, they are regarded as one for tax and insurance regulatory purposes and we have, therefore, decided to combine them.

There have again been several developments affecting the life assurance industry over recent months, to some of which I would like to refer.

Last year I commented on the White Paper on financial services, in particular that we were in favour of the setting-up of a practitioner-based agency to regulate the marketing of life assurance, unit trusts and similar investments. We are still in favour of this approach but we are disturbed at the proposals made by the Marketing of Investments Board Organising Committee (MIBOC) relating to the regulation of individuals in the context of the Financial Services Bill. We feel that they will lead to an unnecessary increase in costs, which will ultimately have to be borne by the policyholders without providing any significant increase in protection for them. In particular, we see no need for a central register of all sales persons to be set up. It should be sufficient to limit the register to those who have committed misconduct. The proposals for a central test of competence also need to be modified. MIBOC recognises that this test will not enable persons to hold themselves out as being fully competent. There will be a need for supplementary specific training by companies to ensure that their sales persons are properly trained to sell their products.

Thus the ultimate responsibility for establishing a sales person's competence will rest with his employer. We therefore feel that employers with the necessary facilities should be able to conduct their own tests, subject to approval by a central authority.

We are also disturbed at the proposals in the Financial Services Bill to extend "cooling-off" notices to Industrial Assurance business. Under this type of business a proposal does not come into effect until the policy document is subsequently delivered by the agent. If, at that time, the client changes his mind, any deposit paid is automatically refunded. If we have to issue cooling-off notices for such business it will add significantly to the cost of issuing these small policies without, once again, giving the policyholders any significant increase in protection for the additional costs which they will have to bear.

Turning to the Budget, the proposal to replace capital transfer tax by an inheritance tax will not adversely affect the Pearl as we did not write a significant volume of business for CTT purposes. The change will, however, give us the opportunity to write more term assurance.

Although I welcome the Government's intention to encourage the wider ownership of shares, I feel it is a little odd that, whereas in 1984 the tax incentives given to encourage long-term savings through life assurance contracts were withdrawn in the name of fiscal neutrality, it is now proposed to give tax incentives for investing in Personal Equity Plans (PEPs), with the benefit of the tax relief being lost only if the plan is not maintained for at least one calendar year. However, I do not believe that the introduction of PEPs will have much effect on our traditional life business and it may give us further opportunities to expand our services.

I mentioned last year that we felt it desirable to widen the range of experience on your board. We were delighted that Sir Austin Pearce and Mr Charles Tidbury accepted our invitation to join us as non-executive directors. Both have had distinguished careers and have wide business experience which will be of great benefit to your company. My colleagues and I commend them to you for election at the Annual General Meeting on 4th June.

I would also draw your attention to the item on the agenda, now a yearly occurrence, relating to the renewal of the directors' powers to issue securities for cash, other than to shareholders in proportion to their existing holdings. You will note that the amount mentioned in the relevant resolution is £1,000 less than last year, by virtue of shares which may be issued under the separate authority to fulfil options exercised under the staff scheme.

Finally, I would like to thank our staff for the excellent way in which they responded to the opportunities that presented themselves in 1985. Their resilience and flexibility are essential for our future success and I am confident of their continued support.

Erinon Holland - Chairman.

Copies of the 1985 Annual Report may be obtained from the Secretary, Pearl Assurance PLC, High Holborn, London WC1V 7EE.

APPOINTMENTS

Management changes at Greenall Whitley

GREENALL WHITLEY has made the following management changes: Mr D. W. G. Bell will be concentrating on his role as chairman of De Vere Hotels and Treadway Inns (US), from April 1, 1987. Within Greenalls Brewery, Mr Bell's responsibilities for the retail division will be assumed by Mr P. G. Greenall and his tenanted division responsibilities by Mr D. H. Griffith. From October 1, Mr P. L. Clarke will be taking over from Mr P. E. Ashworth as chairman of Cambrian Soft Drinks. Mr Ashworth is taking up additional responsibilities as managing director of the brewing industry. In addition, Mr Clarke will assume responsibility for a new group take-home sales company, including beer, wines and spirits and soft drinks, also from October 1. Mr P. H. Standing is being appointed director of marketing services for all group companies.

Mr R. Y. Parry has been appointed chairman of MAYWICK (HANNINGFIELD) in addition to his existing responsibilities as managing director, following the resignation of Mr A. W. Gillett due to ill health. Mr Parry has been managing director under Mr Gillett's chairmanship since 1971.

Ms Nicola Brookes has been appointed group finance director of AMARI. Ms Brookes takes over as group finance director from Ms Brenda Langley, who has held the post since 1981. Ms Langley will remain an executive director on the board of Amari and an active member of the group finance team. Ms Brookes has been corporate development director of Amari for the past two years. She handled the management buy-out of Amari from BP in 1983, and also the company's full listing on the London Stock Exchange the following year.

Mr Richard J. Vardy has been appointed honorary secretary of the LONDON DISCOUNT MARKET ASSOCIATION.

Mr Manfred Stratemier has been appointed marketing director of British Electricity International (BEI), overseas con-

Board posts at Lazard Brothers

LAZARD BROTHERS & CO, has appointed Mr John Nelson as managing director from July 1. He will be assuming overall responsibility for the corporate finance division. Mr Nelson is a director of Kleinwort Benson. Mr Edward W. Dawsey has been promoted to executive director with Lazard Brothers. He has been with the company for 12 years and has worked in corporate finance since 1979. His most recent work has involved responsibility for the privatisation of British Shipbuilders warshipbuilding yards.

Mr J. A. Wiseheart (general manager, Commonwealth Bank of Australia) has been elected chairman of the BRITISH OVERSEAS AND COMMONWEALTH BANKERS' ASSOCIATION in succession to Mr P. W. Weller (general manager, Standard Chartered Bank), who was elected deputy chairman.

Mr Anthony Rippon has joined WHITECROFT as company secretary in succession to Mr Richard Hope who has left the company.

P.E.G. MANAGEMENT CONSULTANTS, division of Phillips Eli & Gross, has appointed Mr Jeffrey S. Collier as an additional director.

FENCHURCH INSURANCE BROKERS has appointed Mr Brian Baker as an executive director of Fenchurch London.

United Technologies Corporation has nominated Mr Wesley A. Kuhn as a new member of the board of WESTLAND. He is a senior consultant to United Technologies Corporation. He retired in 1982 after serving as president of Sikorsky and as vice president of technology of United Technologies Corporation.

WHITEBREAD & CO has appointed Mr Michael Angus as a non-executive director. He is chairman of Unilever.

Mr Roy Norton has been appointed deputy managing director of TAYLOR NELSON MEDICAL, a division of the Taylor Nelson Group. He was a director of the division.

IBM systems house, SKYNET, has appointed Mr Guyana Davies as deputy managing director. He joins from RSB Systems, an IBM software house, where he was an associate director.

Mr Don Gregson, formerly Viking Polypropylene's sales director, has been appointed to the new post of chief executive of ROBERMAP (UK), its plastic hook and hanger unit.

Dr R. R. Stalbow has retired from the board of G.R. (HOLDINGS). Mr G. K. Johnston, company secretary, joins the board.

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UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); total sales value (1980=100); registered unemployment (excluding school leavers) and unutilised vacancies (000s). All seasonally adjusted.

	Ind. prod.	Mfg. output	Eng. order	Retail vol.	Total sales	Unempl.	Vacancies
1985							
1st qtr.	106.5	102.2	104.4	112.4	123.9	1128	123.8
2nd qtr.	106.5	102.2	109	113.0	141.4	1174	121.7
3rd qtr.	106.5	102.2	101	116.2	145.2	1179	124.4
4th qtr.	108.4	102.6	105	116.0	177.7	1174	122.3
September	108.4	102.6	105	115.6	147.7	1174	122.3
October	108.2	102.9	98	115.0	149.5	1164	122.3
November	107.7	102.7	105	117.4	164.3	1167	121.0
December	107.4	104.1	111	117.3	210.4	1164	121.1
1986							
1st qtr.	106.9	102.3	116.4	118.0	145.4	1164	121.0
January	106.1	102.2	85	117.0	145.6	1164	121.0
February	106.4	102.4	103	117.2	140.9	1164	121.0
March	106.3	102.3	103	118.5	148.6	1164	121.0
April				119.0		1164	121.0

OUTPUT—By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100). Seasonally adjusted.

	Consumer goods	Invest. goods	Int. goods	Eng. output	Metal mfg.	Textiles	Leather	Clothing
1985								
1st qtr.	103.1	102.5	100.9	103.5	110.1	99.0	113.0	113.0
2nd qtr.	103.2	104.4	113.0	104.9	104.9	100.4	109.4	113.0
3rd qtr.	104.8	101.9	112.3	105.3	115.0	102.2	113.0	113.0
4th qtr.	104.2	102.5	115.0	104.0	114.0	103.0	113.0	113.0
September	103.5	101.6	113.5	102.0	111.0	102.0	113.0	113.0
October	105.1	102.0	113.7	102.0	112.0	102.0	113.0	113.0
November	105.2	104.0	119.3	105.0	109.0	103.0	113.0	113.0
December								
1986								
1st qtr.	103.1	100.6	115.6	101.6	106.8	101.2	113.0	113.0
January	102.1	100.6	114.3	101.0	106.0	101.0	113.0	113.0
February	103.0	100.5	116.0	101.0	106.0	101.0	113.0	113.0
March	102.8	100.8	116.0	102.0	110.0	101.0	113.0	113.0

EXTERNAL TRADE—Indices of export and import volume (1980=100); visible balance; current balance (fm); oil balance (fm); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserves
1985							
1st qtr.	113.6	106.6	-1,206	-374	+1,939	96.1	113.0
2nd qtr.	109.5	104.9	-124	+1,353	+2,411	101.2	113.0
3rd qtr.	115.3	104.1	-430	+1,072	+2,060	102.2	113.0
4th qtr.	115.9	127.4	-225	+821	+1,333	101.0	113.0
October	113.8	125.0	+7	+334	+754	101.0	113.0
November	115.5	120.6	-214	+112	+649	102.1	113.0
December	119.4	127.5	-18	+475	+911	101.7	113.0
1986							
1st qtr.	117.4	126.1	-1,409	+809	+1,094	101.0	113.0
January	113.7	120.3	-1,155	+1,153	+987	101.7	113.0
February	115.2	125.0	-344	+256	+678	102.7	113.0
March	112.7	122.2	-1,211	-611	+330	104.7	113.0
April	122.2	121.9	-191	+408	+337	101.7	113.0
May							

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months); growth at annual rate; building societies' net inflow; HPI; new credit; all seasonally adjusted. Clearing bank base rate (end period).

	M0	M1	M2	Bank adv.	HPI	HP	New credit	Base rate
1985								
1st qtr.	2.2	0.7	9.1	15.2	1,511	2,108	11,560	11.50
2nd qtr.	5.1	3.4	29.4	19.2	1,523	3,022	12,300	11.50
3rd qtr.	5.5	15.4	11.6	17.5	1,771	3,274	11,500	11.50
4th qtr.	1.4	26.1	17.8	17.7	2,289	3,431	11,500	11.50
October	1.5	24.5	18.8	18.7	2,798	3,144	11,500	11.50
November	3.0	21.5	20.4	17.6	638	1,806	11,500	11.50
December	2.7	29.1	14.2	17.0	805	1,192	11,500	11.50
1986								
1st qtr.	6.5	9.8	10.7	12.2	2,228	7,567	11,500	11.50
January	9.8	14.5	11.1	11.4	770	2,738	11,500	11.50
February	4.6	5.2	6.8	9.1	705	2,510	11,500	11.50
March	5.1	8.2	14.3	16.4	697	2,210	11,500	11.50
April	0.4	21.5	29.9	24.3	736		11,500	11.50
May								

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); FT commodity index (July 1953=100); trade weighted value of sterling (1975=100).

	Earnings	Basic mtds.	Wholesale mtds.	RPI	RPI*	FT	Comdys
1985							
2nd qtr.	174.4	128.2	139.4	375.2	339.4	278.12	113.0
3rd qtr.	174.4	128.2	140.2	376.2	325.5	261.12	113.0
4th qtr.	175.9	132.6	141.4	378.1	337.4	261.12	113.0
September	178.1	132.7	140.5	378.5	335.8	251.12	113.0
October	173.9	134.7	141.9	377.1	335.5	248.46	113.0
November	176.2	132.1	141.5	378.4	337.4	n/a	113.0
December	180.0	134.7	141.9	378.9	339.4	n/a	113.0
1986							
1st qtr.	179.1	132.8	142.4	380.2	343.2	n/a	113.0
January	175.5	135.2	142.7	379.7	341.1	n/a	113.0
February	177.9	133.9	143.2	381.1	343.5	n/a	113.0
March	182.5	129.8	144.2	381.6	345.2	n/a	113.0
April	128.1	142.4	383.2	347.4			

* Not seasonally adjusted. † From January 1986 includes amounts outstanding on credit cards.

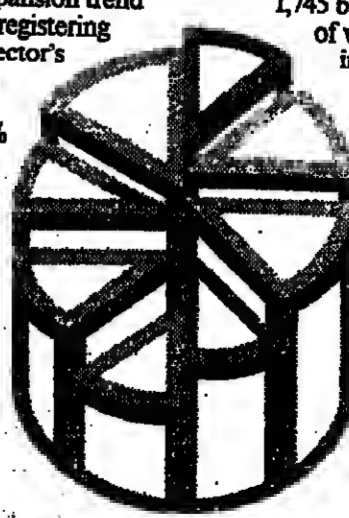
Japanese trade at Laing and Cruickshank

LAING & CRUICKSHANK, part of Alexander Laing & Cruickshank Holdings International securities division of Mercantile House, opens its new Japanese department today. Mr Robert Golding becomes director of Far East trading and Mr Graeme Hasmond becomes head of Japanese sales. Both are also appointed directors of Laing & Cruickshank Institutional Equities. Mr Alex Farley and Mr John Healy also join Laing & Cruickshank as warrant traders. All four have come from County Bank.

Isveimer Balance Sheet 1985

New credits disbursed: It. lire 1,745 Billion
Outstanding loans: It. lire 6,480 Billion

In 1985 Isveimer's expansion trend in credits continued, registering a growth above the sector's average: outstanding loans reached It. lire 6,480 billion, up 12.7% compared to 1984. Isveimer granted loans for It. lire 1,792 billion during 1985, a 34% increase over 1984, and disbursed 1,745 billion lire in credits, 55% of which were funded in the international financial markets. Previous loans in foreign currency equal to about 530 million dollars were re-negotiated at more favourable conditions. The net income was 40 billion lire.



The medium-term bank for the 'Mezzogiorno'
Headquarters: 80133 Naples-Italy-Via A. De Gasperi, 71-Phone (081) 753111-Telex 71020-72282
Rep. Office: London-U.K.-98, Cannon Street-EC4-N.SAD-Phone (01) 2839961-Telex 887354-Telefax 263972

A GREAT NEWSPAPER **The LONDON STANDARD** FOR A GREAT CITY

Nationwide Communications Inquest

THIRTY COMPANY CHAIRMEN PROBED

Sounds painful? In some cases, maybe it was. Because The London Standard Corporate Communications Survey goes deeply into a major problem for British business: The ability of companies to communicate their reputation and performance. To the public at large and to their own shareholders in particular. Some companies have been so busy 'building brands' that few people know who the brands are built by. Takeover mania isn't the only recent event that's increased the importance of corporate communications. There's also been an explosion in share ownership, touched off by British Telecom and other privatisations. But why should institutions or individuals make investments in a company when they know nothing of its plans for the future? And only four months away is Big Bang! The City's deregulation will open up undefended British companies to predators around the world. Clearly, we believe strongly in corporate communications. But then we would, wouldn't we? We stand to profit by them, after all. That's why we commissioned a leading financial communications firm, Dewe Rogerson, to undertake our Survey. They probed the top people in industry and commerce, the City, Parliament and the financial media. And they probed a broad sample of private and institutional shareholders. Their findings are to be presented to the leaders of Britain's top 100 companies and the City at a luncheon at the Savoy on June 10th. On June 27th, we're holding a seminar to examine the Survey more deeply. Phone (01) 353 0355 for a copy. And do a little self-examination.

Handwritten signature or stamp in a box at the bottom of the page.

BUSINESS LAW

Judges and board decisions in takeover battles

By A. H. HERMANN, Legal Correspondent

SHOULD JUDGES try to second-guess the decisions of management? It seems to be a generally accepted principle of common law, both in the UK and overseas, that they should not. The reason for this is that if judges try to predict the future effect of decisions, they are in no better, and possibly in a worse, position than the managers who, through long experience, can make a better educated guess and benefit from accumulated intuitive knowledge.

As to decisions which have already proved to be wrong or unwise, it would not be fair to criticise the managers with benefit of hindsight so long as their intentions were beyond reproach. This principle of judicial non-interference in business decisions, usually termed the "business judgment rule", served well for a long time but its foundations have been undermined because the interests of managements and those of shareholders in large companies no longer necessarily coincide. Now, however, the courts are often called upon to resolve conflicting interests of shareholders, employees and creditors.

In the US the future of the "business judgment rule" has been recently called into question by a series of decisions taken by the courts of Delaware, where managements have traditionally been free to do almost anything they liked. However, leveraged takeover bids, management buyouts and poison pills have obliged the courts to re-examine the "business judgment rule" in a way which has alarmed the company bar. Justifiably, its members fear that Delaware may cease to be multinational investors' favourite place of registration.

The problems faced by the Delaware courts are essentially the same as have or may be faced by English courts in similar takeover defences cases. The same problems may soon appear in France.

After a long absence, hostile takeover bids have arrived this year on the French scene. New rules facilitate takeover bids by laying down time limits within which the executive board of the stockholders' association must give its approval and the COB (Commissaire aux Opérations de Bourse) must certify the information which must be published by the bidder and the target company. French authorities seem to have a much more active part to play than is usual in London.

This development adds to the topicality of the Blackstone lectures recently delivered at Pembroke College, Oxford by Professor Philippe Tunc, the eminent French commercial lawyer from the Sorbonne. Prof Tunc compared the strict attitude of French law, which holds managements liable for their errors, with the relaxed attitude of common law courts.

He invited his audience to consider whether the time had not come for the two systems of law to move closer together, by a relaxation of the French attitude and by paying greater attention to the substance of the business decision, as opposed to the process by which it was reached, in common law courts.

Prof Tunc said that in no case so far had a French court declined to judge a business decision made by the directors of a company. French company law expressly provided that the directors were liable to the company and to others for any breach of the rules or for any fault which caused damage led to the business decision, as opposed to the process by which it was reached, in common law courts.

The French Companies Act encourages and facilitates shareholders' suits against members of the board in the case of liquidation, when the assets are not sufficient to meet debts, the court may order the directors and executive officers to pay up to the extent the deficit was due to their own fault. In only one respect does French law treat management more leniently than English law: defying legislation, the courts do not require into the fairness of dismissals of employees. They accept any significant reasons stated by the employer.

By contrast, English courts, which do inquire into the fairness of dismissals, tend to leave other managerial decisions well alone, and certainly do not make directors liable for mere errors of judgment. According to Lord Wilberforce, when the actions of directors are challenged, the court should first consider the nature of the power which they exercised and whether they did so for a proper purpose and in respect of their judgment as to matters of management if it finds that they acted in good faith.

The reason why the French cannot, and the English can, operate such a "business judgment rule" is perhaps that its application can never be guided by formal logic, but only by a dialectical or pragmatic line of thought. It is alleged that the directors paid 10 or 15 per cent more for their headquarters office than was necessary, the judge will accept that they had good reasons for this, but if the price paid is 50 per cent or more, their good faith will be questioned.

US law does not differ in principle from the English treatment of business judgment, but elaborates it in greater detail. According to the Principles of Corporate Governance or recent being considered by the American Law Institute, the duty of a director or officer to perform his functions in good faith, and in what he believes to be the best interest of the corporation, is further qualified: he should perform his functions with the care that can be expected from an ordinarily prudent person; he is obliged to make such inquiries as he reasonably believes to be appropriate. The Principles further define when a business judgment is made in good faith when the director is not personally interested, is properly informed, and is rationally believes that his decision is in the best interest of the corporation.

In a 1981 decision, the Supreme Court of Delaware said that when the interest of the board clashed with that of a shareholder who required it to bring an action, the board's refusal to do so was covered by the "business judgment rule". If it was based on the advice of an independent and informed committee.

However, this may merely shift the court's attention to whether the committee was really independent and whether its advice was given in good faith. Though it must have been obvious that the court can reverse the decision, the judgment by finding that they were not properly advised, it caused great consternation when the Supreme Court of Delaware declared that it would not inquire into the fairness of dismissals of employees. They accept any significant reasons stated by the employer.

Mr van Gorkham, faced with the financial difficulties of a company of which he was chief executive, arranged a leveraged buyout in which the price offered for the shares was substantially higher than the average share price in the preceding five years. The offer was accepted by the board and subsequently by shareholders representing 70 per cent of the equity. A 7 per cent minority opposed the deal, asking for \$100m in damages. The Court of Chancery rejected the complaint on the grounds that the acceptance of the offer fell within the protection of the "business judgment rule". The Delaware Supreme Court, however, reversed this decision: it concluded that the board's decision had been hasty and not sufficiently informed.

In the case of Continental Illinois, where the senior management team was managing the bank imprudently as well as failing to disclose its problems promptly and violating security laws, nine executive directors, including the former chief executive, denied liability but agreed to pay \$20m to shareholders, who also received \$20m from the bank. It seems that the protection of the "business judgment rule" is not what it used to be in the US.

In the UK, trying to frustrate a hostile takeover bid by Argill, the Distillers' board, supported by some institutional shareholders, agreed to reimburse Guinness for the \$40m cost of launching a friendly takeover. The Takeover Panel rejected Argill's complaint, though the move had been criticised by a number of leading city institutions.

Argill brought an action in the High Court under s.131 of the Companies Act 1985, which prohibits financing the purchase of own shares. The court granted an injunction against the directors individually. After the bid was referred to the Monopolies and Mergers Commission, the court action was not pursued, but the Stock Exchange passed a rule that, in future, such "poison pills" would have to be approved by shareholders if they exceeded 25 per cent of the past three years' profits in value or if their value was unlimited.

Thus, even in the UK it is now recognised that the freedom to exercise business judgment in normal circumstances cannot be left uncurtailed in takeover battles. If not the courts, the authorities feel obliged to put up at least token limits to management's identification of its interests with that of the shareholders. Prof Tunc's invitation to close the gap between the French and the common law approach may be brought to reality by necessity, the supreme taskmaster of lawmakers.

FT UNIT TRUST INFORMATION SERVICE

Table listing various unit trusts and their details, including names like 'Abney Unit Tr. Mgmt. Co.', 'Aberdeen Unit Tr. Mgmt. Co.', and 'Aberdeen Fund Managers Ltd'. Each entry includes a brief description and financial data.

FT CROSSWORD PUZZLE No 6,039

Crossword puzzle grid with numbers 1 through 29 indicating starting positions for words.

- ACROSS
1 Such as are awake during lessons? (5,9)
2 Birds in another nest (5)
3 Popular holiday period. Getting towards the North in tight jam? (9)
4 Drunk goes round the room. Could be pickled (7)
5 Greek character to appoint to the academy? (7)
6 Flesh out sort of life in supermarket? (5)
7 Toper, drunk, hits the hay - a bewildering performance (4,5)
8 Once over (2,3,4)
9 The dancing party's discovery - no light! (9)
10 Bombers groups returning round Alder Fore? (7)
11 Greek agency of vengeance (7)
12 First class Latiner could be - among other things (5,4)
13 Boat to sketch in Scotland (5)
14 Activity undertaken before someone gets cross (14)
DOWN
1 Obtain a City man having good grounds for sale (4,5)
2 One less changing and making up 16's necessity? (5)
3 Everyone has to serve here (5)
4 Steadfastness never changes (5)

WEEKEND FT
For information on advertising on the Books Page CONTACT SUE MATHIESON on 01-499 0033

A FINANCIAL TIMES SURVEY EXECUTIVE CARS THURSDAY JUNE 19 1986
For further information, please contact: COLIN DAVIE, 3240 on 01-498 9908 Ext. 3240 or write to him at: Bracken House, 10 Cannon Street, London EC4A 3DF. FINANCIAL TIMES, Europe's Business Newspaper

Vertical text on the left margin including 'MIC INDICATOR', 'er Sheet', and other fragments.

AUTHORISED UNIT TRUSTS & INSURANCES

Main table containing financial data for various unit trusts and insurance companies, including columns for company names, fund names, and numerical values.

INSURANCES section containing a list of insurance companies and their associated financial data.

INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and overseas funds, including company names, fund names, and numerical values.

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Money Market Trust Funds

Money Market Bank Accounts

TRADITIONAL OPTIONS

Table listing traditional options with columns for instrument names and values.

NOTES: A selection of notes traded in the London Stock Exchange on June 4, 1986.

COMMODITIES AND AGRICULTURE

US copper workers make pay cut offer

UNIONS AT Newmont Mining Corporation's subsidiaries Mag... make pay cut offer

WEEKLY METALS

All prices as supplied by Metal Bulletin. ANTIMONY: European free market, 99.5 per cent, \$ per tonne...

EEC calls for tighter control of fisheries

BY TIM DICKSON IN BRUSSELS

CRITICISMS OF the way in which EEC member states are enforcing the conservation provisions of the Common Fisheries Policy were voiced yesterday by the European Commission.

In 1983, is essentially two pronged. It fixes each year the total allowable catch for certain categories of fish and it spells out a number of "technical measures" (restrictions on mesh sizes, minimum landing sizes and rules on where fishing can take place) to back this up.

The Commission would also like to extend its authority so that its 13 inspectors who currently visit Community ports with the approval of local officials can in future insist on the right to make spot checks uninvited.

LME fails to resolve dispute over investor protection rules

BY ANDREW GOWERS

THE LONDON Metal Exchange and the international copper and lead markets have failed to resolve their differences with the UK Government and with its new City regulatory body, the Securities and Investments Board, over proposed changes in the LME's trading system.

The LME is adamant that the system works as it is, and that any further change—following the introduction of a central clearing-house, to which the exchange has already agreed—would be too costly.

The report concludes that in several member states there are insufficient national measures to make the Community legislation effective and in others insufficient co-operation with Commission inspectors.

Chernobyl's market fallout

BY RICHARD GILMORE

THE WORST of the Soviet nuclear disaster at Chernobyl may now be over, but commodity markets could still feel the best for some time in the form of increased price volatility and trading volume.

Traders in Chicago maintain that the event at Chernobyl has not yet been fully absorbed from their calculations just as fast as the winds swept radiation fallout across the European continent.

Options contracts traded climbed steeply, while the open position at the end of each day remained virtually unchanged.

It was the same story in the grain and oilseed contracts. In the first three days of the week beginning April 28, for example, wheat futures traded at more than twice the volume of the preceding five-day period.



Briak trading on the CBOT floor

Global wheat and coarse grain surpluses, particularly in the US, exceed any reasonable estimates of revised Soviet import requirements. The EEC's meat and dairy stocks are more than sufficient to cover Soviet needs.

In addition, the consensus within the scientific community now indicates that the impact of the disaster on Soviet grain production will be only slight.

Commodity merchants, accordingly, were staying on the sidelines, maintaining a consistently muted open position.

But even before Chernobyl, there were signs that the bear trend could be bucked. Speculators and chartists trading for their own and for institutional investors were readying themselves for a move based on their operating principle that the market had been oversold.

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The nuclear disaster merely underlined existing concerns over factors like worsening wheat conditions in Kansas and the Southeast. Chernobyl, in other words, was merely an excuse for something they were already planning to do.

Commercial houses in general adhered to their selling strategy, while other traders went for high profits by buying the short-term position in soybean contracts was moving upwards.

China waking up to futures trading

BY DAVID OWEN IN CHICAGO

CHINA for so long slumbering giant of world trade, is preparing to start direct use of major commodity futures.

At the same time, Sun Banchao, deputy director of the ITRF, said that China planned to start trading grains and metals futures on the CBOT "at an appropriate time."

China became a big maize exporter in 1985, selling 634m tonnes abroad. In the first half of the year, it had slashed its wheat imports to 3m tonnes from 9.9m tonnes.

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LONDON MARKETS

CONCERN about nearby supply tightness helped to push the London Metal Exchange cash price up to a nine-month high yesterday.

The power of member states should be widened so that as well as inspecting boats of sea they will in future be able to inspect landings and fish markets where useful information can be gathered.

ALUMINIUM

Official closing (am): Cash 802.3 (785-8), three months 770.5 (770-1), settlement 803 (788). Final Karb close: 785.8. Turnover: 27,400 tonnes.

COPPER

Official closing (am): Cash 822.5 (812-1), three months 833.5 (827-4), settlement 822.5 (822), 13 Producer volume: 36,000. Total turnover: 86,000.

LEAD

Official closing (am): Cash 208.5 (206-5), three months 203.5 (201-5), settlement 207.5 (207), 13 Producer volume: 14,500. Total turnover: 20,000-21,000 cents per pound.

NICKEL

Official closing (am): Cash 518.9 (508-9), three months 528.5 (518-5), settlement 518.9 (518), 13 Producer volume: 10,000. Total turnover: 35,000-37,000 cents per pound.

TIN

Official closing (am): Cash 518.9 (508-9), three months 528.5 (518-5), settlement 518.9 (518), 13 Producer volume: 10,000. Total turnover: 35,000-37,000 cents per pound.

ZINC

Official closing (am): Cash 208.5 (206-5), three months 203.5 (201-5), settlement 207.5 (207), 13 Producer volume: 14,500. Total turnover: 20,000-21,000 cents per pound.

GOLD

Official closing (am): Cash 518.9 (508-9), three months 528.5 (518-5), settlement 518.9 (518), 13 Producer volume: 10,000. Total turnover: 35,000-37,000 cents per pound.

SILVER

Official closing (am): Cash 518.9 (508-9), three months 528.5 (518-5), settlement 518.9 (518), 13 Producer volume: 10,000. Total turnover: 35,000-37,000 cents per pound.

MEAT

Official closing (am): Cash 518.9 (508-9), three months 528.5 (518-5), settlement 518.9 (518), 13 Producer volume: 10,000. Total turnover: 35,000-37,000 cents per pound.

PIGMEAT

Official closing (am): Cash 518.9 (508-9), three months 528.5 (518-5), settlement 518.9 (518), 13 Producer volume: 10,000. Total turnover: 35,000-37,000 cents per pound.

WHEAT

Official closing (am): Cash 518.9 (508-9), three months 528.5 (518-5), settlement 518.9 (518), 13 Producer volume: 10,000. Total turnover: 35,000-37,000 cents per pound.

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INDICES

REUTERS

June 4 June 3 Month Year Ago June 4 June 3 Month Year Ago

DOW JONES

Dow Jones Industrial Average: 1285.5 (1283.4) 1708.1 (1706.2) (Base: September 18 1927=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated. June 4 + or - Month 1986 + or - 50th

METALS

Aluminium: 1285.5 (+2.0) 1708.1 (+2.0) 1285.5 (+2.0) 1708.1 (+2.0)

NEW YORK

Aluminium 40,000 lbs. cents/lb: June 49.50 High 50.00 Low 49.00 Prev 49.50

CHICAGO

LIVE CATTLE 40,000 lbs. cents/lb: June 50.00 High 50.50 Low 49.50 Prev 50.00

LIVE HOGS 30,000 lbs. cents/lb

June 47.00 High 47.50 Low 46.50 Prev 47.00

COFFEE "C" 37,500 lbs. cents/lb

June 170.00 High 170.00 Low 169.00 Prev 170.00

COPPER 25,000 lbs. cents/lb

June 82.18 High 82.50 Low 81.80 Prev 82.18

COTTON 50,000 lbs. cents/lb

June 68.00 High 68.00 Low 67.00 Prev 68.00

CRUDE OIL (LIGHT) 42,000 US gallons

June 12.98 High 13.25 Low 12.75 Prev 12.98

COFFEE

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COFFEE

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US MARKETS

COPPER FUTURES gained ground on commission house buying and a general lack of selling reports.

The market was reacting to news from LCO (International Cocoa Organisation) talks. The ICCO is specifically reported to be making headway on the addition of economic clauses to the cocoa agreement.

NEW YORK

Aluminium 40,000 lbs. cents/lb: June 49.50 High 50.00 Low 49.00 Prev 49.50

CHICAGO

LIVE CATTLE 40,000 lbs. cents/lb: June 50.00 High 50.50 Low 49.50 Prev 50.00

LIVE HOGS 30,000 lbs. cents/lb

June 47.00 High 47.50 Low 46.50 Prev 47.00

COFFEE "C" 37,500 lbs. cents/lb

June 170.00 High 170.00 Low 169.00 Prev 170.00

COPPER 25,000 lbs. cents/lb

June 82.18 High 82.50 Low 81.80 Prev 82.18

COTTON 50,000 lbs. cents/lb

June 68.00 High 68.00 Low 67.00 Prev 68.00

CRUDE OIL (LIGHT) 42,000 US gallons

June 12.98 High 13.25 Low 12.75 Prev 12.98

COFFEE

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COFFEE

June 1285.5 (+2.0) 1708.1 (+2.0) 1285.5 (+2.0) 1708.1 (+2.0)

ORANGE JUICE 15,000 lb. cents/lb

June 38.00 High 38.50 Low 37.50 Prev 38.00

PLATINUM 50 Troy oz. \$/Troy oz

June 412.1 High 420.0 Low 405.0 Prev 412.1

DILVER 5,000 Troy oz. cents/Troy oz

June 518.5 High 520.0 Low 515.0 Prev 518.5

SUGAR WORLD "11" 112,000 lbs. cents/lb

June 7.25 High 7.44 Low 7.25 Prev 7.25

CHICAGO

LIVE CATTLE 40,000 lbs. cents/lb: June 50.00 High 50.50 Low 49.50 Prev 50.00

LIVE HOGS 30,000 lbs. cents/lb

June 47.00 High 47.50 Low 46.50 Prev 47.00

MAIZE 5,000 bu. min

June 227.00 High 227.40 Low 226.60 Prev 227.00

SOYBEAN 5,000 bu. min

June 147.2 High 147.40 Low 147.00 Prev 147.2

SOYBEAN MEAL 5,000 lbs. min

June 147.2 High 147.40 Low 147.00 Prev 147.2

SOYBEAN OIL 5,000 lbs. min

June 147.2 High 147.40 Low 147.00 Prev 147.2

WHEAT

June 147.2 High 147.40 Low 147.00 Prev 147.2

WHEAT

June 147.2 High 147.40 Low 147.00 Prev 147.2

WHEAT

June 147.2 High 147.40 Low 147.00 Prev 147.2

WHEAT

June 147.2 High 147.40 Low 147.00 Prev 14

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar recovers but nervous

The dollar finished above the day's low yesterday in rather erratic trading. The recent reversal, following comments by US officials suggesting a further decline in the dollar's value, pushed the dollar to a low of DM 2.2680 before it recovered to finish at DM 2.2780 compared with DM 2.2740 on Tuesday.

£ IN NEW YORK

The dollar enjoyed the benefit of a small technical correction with a firmer Federal Reserve rate apparently providing underlying support. There was little overall agreement about where the dollar was likely to move next however with tomorrow's US unemployment figures hopefully providing some further indication on the performance of the US economy.

POUND SPOT - FORWARD AGAINST POUND

Table with columns: Day's spread, Close, One month, % Three months, % Six months. Rows include US, Canada, Netherlands, Belgium, Denmark, Ireland, Portugal, West Germany, Norway, Sweden, Japan, Australia, and Switzerland.

DOLLAR SPOT - FORWARD AGAINST DOLLAR

Table with columns: Day's spread, Close, One month, % Three months, % Six months. Rows include UK, Ireland, Netherlands, Belgium, Denmark, West Germany, Norway, Sweden, Japan, Australia, and Switzerland.

EXCHANGE CROSS RATES

Table with columns: Currency, Bid, Offer, Bid, Offer. Rows include DM, Yen, FF, Sfr, Lira, and G.P.

EURO-CURRENCY INTEREST RATES

Table with columns: Currency, Term, Rate. Rows include Sterling, U.S. Dollar, Canadian Dollar, Deutschmark, Swiss Franc, and Italian Lira.

MONEY MARKETS

UK rates continue to ease

UK interest rates continued to fall in London yesterday amid growing speculation that clearing bank base rates would be reduced from their current level of 10 per cent. Three-month inter-bank money slipped to 9.4-9.5 per cent from 9.7-9.8 per cent. Overnight money opened at 10.1-10.2 per cent and touched a high of 11 per cent before finishing at 7 per cent.

MONEY RATES

Table with columns: Location, Term, Rate. Rows include Frankfurt, Zurich, Amsterdam, Milan, Brussels, and Dublin.

FINANCIAL FUTURES

Nervous trading

Three-month sterling deposit futures retreated from the day's highs to close virtually unchanged on the day in the London International Financial Futures Exchange yesterday. The September contract opened at 90.92 up from 90.90 and rose to a high of 91.01 at one point as cash rates declined further.

Table with columns: Strike, Call, Put, Last, Puts, Last. Rows include Liffe Long Gilt Futures Options and Liffe Eurodollar Options.

Table with columns: Strike, Call, Put, Last, Puts, Last. Rows include Liffe S/S Options and Philadelphia S/E Options.

Table with columns: Strike, Call, Put, Last, Puts, Last. Rows include Chicago US Treasury Bonds and London 25-Year National Gilt.

Table with columns: Strike, Call, Put, Last, Puts, Last. Rows include Chicago CBOT Deposit (Euro) and Philadelphia S/E Options.

Table with columns: Currency, Bid, Offer, Bid, Offer. Rows include Sterling Index and Other Currencies.

Table with columns: Currency, Bid, Offer, Bid, Offer. Rows include EMS European Currency Unit Rates.

Table with columns: Currency, Bid, Offer, Bid, Offer. Rows include FT London Interbank Fixing.

Table with columns: Currency, Bid, Offer, Bid, Offer. Rows include London Money Rates.

Table with columns: Currency, Bid, Offer, Bid, Offer. Rows include LCB International Limited, Bank of Tokyo International Limited, etc.

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FOREX TREND

The currency forecasting aid designed by Forex, the currency managers, currency forecasters & currency options advisers.

US Treasury bonds prices held on to some of the day's gains but finished below the day's high. Lower oil prices provided underlying support but there was considerable uncertainty surrounding the performance of the dollar and ahead of today's US unemployment figures.

Long gilt futures acted in growing expectation of an early cut in clearing bank base rates. However the momentum was not sustained as sterling fell to its lowest level for nearly a month.

The Japanese yen finished below the day's best levels in Tokyo yesterday, prompted to some extent by small scale intervention by the Bank of Japan.

The D-mark slipped to DM 3.35 from DM 3.3650 and Y254.25 compared with Y256.25. Elsewhere it slipped to Sfr 2.7950 from Sfr 2.8050 and FFr 10.125 compared with FFr 10.125.

The D-mark finished below its best level in Frankfurt yesterday as the dollar reacted to its recent sharp decline to finish at its best level of DM 2.2775 after opening at DM 2.2705 and compared with DM 2.2780 on Tuesday.

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FOREX TREND advertisement with logo and contact information for FOREXIA (UK) LIMITED.

Company Notices section with various legal notices and company announcements.

Personal section featuring a 'MEETING' advertisement for £65.98.

Legal Notice section with various court notices and legal proceedings.

Travel section with advertisements for various travel agencies and services.

Clubs section with advertisements for various clubs and social organizations.

JAPAN AIR LINES COMPANY, LTD. advertisement featuring U.S. \$100,000,000 8% Guaranteed Bonds due 1996.

BRITISH FUNDS

Table of British Funds with columns for Name, Price, Dividend, and Yield. Includes sections for 'Shares (Lives up to Five Years)', 'Five to Fifteen Years', and 'Over Fifteen Years'.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS - Cont

Table of share prices for Building, Timber, and Roads sectors. Columns include High, Low, Stock, Price, Div, and Yield.

ENGINEERING - Continued

Table of share prices for Engineering sector. Columns include High, Low, Stock, Price, Div, and Yield.

DRAPERY & STORES - Cont

Table of share prices for Drapery & Stores sector. Columns include High, Low, Stock, Price, Div, and Yield.

INDUSTRIALS - Continued

Table of share prices for Industrials sector. Columns include High, Low, Stock, Price, Div, and Yield.

AMERICANS - Cont

Table of share prices for American stocks. Columns include High, Low, Stock, Price, Div, and Yield.

CHEMICALS, PLASTICS

Table of share prices for Chemicals and Plastics sector. Columns include High, Low, Stock, Price, Div, and Yield.

FOOD, GROCERIES, ETC

Table of share prices for Food, Groceries, and other consumer goods. Columns include High, Low, Stock, Price, Div, and Yield.

AMERICANS

Table of share prices for American stocks. Columns include High, Low, Stock, Price, Div, and Yield.

DRAPERY AND STORES

Table of share prices for Drapery and Stores sector. Columns include High, Low, Stock, Price, Div, and Yield.

HOTELS AND CATERERS

Table of share prices for Hotels and Caterers sector. Columns include High, Low, Stock, Price, Div, and Yield.

BANKS, HP & LEASING

Table of share prices for Banks, HP & Leasing. Columns include High, Low, Stock, Price, Div, and Yield.

BUILDING, TIMBER, ROADS

Table of share prices for Building, Timber, and Roads. Columns include High, Low, Stock, Price, Div, and Yield.

INDUSTRIALS (Misc.)

Table of share prices for Miscellaneous Industrials. Columns include High, Low, Stock, Price, Div, and Yield.

COMMONWEALTH & AFRICAN FUNDS

Table of share prices for Commonwealth & African Funds. Columns include High, Low, Stock, Price, Div, and Yield.

BEERS, WINES & SPIRITS

Table of share prices for Beers, Wines & Spirits. Columns include High, Low, Stock, Price, Div, and Yield.

ENGINEERING

Table of share prices for Engineering sector. Columns include High, Low, Stock, Price, Div, and Yield.

LOANS

Table of share prices for Loans. Columns include High, Low, Stock, Price, Div, and Yield.

GOVT. BANK & OCEAN

Table of share prices for Government, Bank & Ocean. Columns include High, Low, Stock, Price, Div, and Yield.

INVESTMENT TRUSTS

Table of share prices for Investment Trusts. Columns include High, Low, Stock, Price, Div, and Yield.

UNRELATED

Table of share prices for Unrelated stocks. Columns include High, Low, Stock, Price, Div, and Yield.

INDEXED

Table of share prices for Indexed stocks. Columns include High, Low, Stock, Price, Div, and Yield.

INDEXED

Table of share prices for Indexed stocks. Columns include High, Low, Stock, Price, Div, and Yield.

INDUSTRIALS—Continued

Table of industrial stocks including companies like Shell, BP, and various utility and manufacturing firms. Columns include stock name, price, and other financial metrics.

LEISURE—Continued

Table of leisure-related stocks such as hotels, travel agencies, and entertainment companies.

PROPERTY—Continued

Table of real estate and property investment stocks, including REITs and land development companies.

INVESTMENT TRUSTS—Cont.

Table of investment trusts offering various asset classes like equity, income, and international exposure.

FINANCE, LAND—Cont.

Table of financial and land-related stocks, including banks, insurance companies, and landowners.

MINES—Continued

Table of mining stocks, including gold, silver, and copper producers.

MOTORS, AIRCRAFT TRADERS

Table of motor vehicles and aircraft-related stocks.

Commercial Vehicles

Table of commercial vehicle manufacturers and related companies.

Components

Table of automotive and industrial components suppliers.

Garages and Distributors

Table of automotive service centers and distributors.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing companies.

SHOES AND LEATHER

Table of footwear and leather goods manufacturers.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising companies.

TEXTILES

Table of textile and apparel manufacturers.

TOBACCO

Table of tobacco companies.

TRUSTS, FINANCE, LAND

Table of trusts, financial institutions, and land-related companies.

FINANCE, LAND, etc

Table of financial, land, and other miscellaneous stocks.

OVERSEAS TRADERS

Table of international trading companies.

INSURANCES

Table of insurance companies.

PROPERTY

Table of property-related stocks.

LEISURE

Table of leisure-related stocks.

INDUSTRIALS

Table of industrial stocks.

FINANCE, LAND

Table of financial and land-related stocks.

MINES

Table of mining stocks.

Large table on the right side of the page containing various stock listings, including regional and Irish stocks, and a 'NOTES' section at the bottom.

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LONDON STOCK EXCHANGE

RECENT ISSUES

MARKET REPORT

Account Dealing Dates
Option
*First Declared Last Account
Dealings from Dealings Day
May 12 May 29 May 30 June 9
June 3 June 12 June 13 June 23
June 16 June 26 June 27 July 7

Markets shrug off effects of further fund-raising moves

Fresh funding operations failed to unnerve either bond or share markets in London yesterday. The counter-attraction of the Epsom Derby obviously restrained both attendance and investment interest was sufficient to lift Government securities from recent low levels and promote underlying firmness to leading shares.

Circle which shed 15 for a two-day loss of 30 to 64p. Elsewhere in the Building sector, RFB Industries slipped 8 to 492p and Redland softened 3 to 432p. Robert M. Douglas attracted fresh speculative demand and gained 5 to 115p. Where Clorix Corporation rose 7 more to 182p in a restricted market. Gleason hardened 5 to 388p, but recently firm Federated Housing encountered profit-taking and gave up 8 to 148p.

Mail orders rally
The settlement of the national postal dispute gave a much-needed boost to recently depressed Mail orders. Quotations finished below the day's best, but rises still extended into double-figures. Freeman advanced 15 to 394p, after 39p, while Gratton, the subject of a bullish circular from brokers de Zoete and Bevan, rose 12p to 104p.

Leading Retailers held close to the overnight levels in extremely flat trading. Woolworths advanced 10 to 855p awaiting fresh moves in the Dixons bid situation. The latter firm's couple of pence to 360p. Elsewhere, Gallaher's surprise bid for NSS Newspapers again prompted support for Allied Pressy which improved 12 more to 122p.

Other price movements were minimal and the FT-SE 100 share index advanced 4.3 down just before 10 am, ended a mere 0.8 off at 1,601.4. The FT Ordinary share index settled 0.2 up at 1,620.6.

Wall Street's last-minute surge on Tuesday failed to impress equity investors but the bounce in the bond market there gave encouragement to potential high-yield buyers. Longer maturities rebounded 1/2 before the upturn faded with sterling, which closed a shade easier than the dollar, and few stocks closed more than 1/2 up on the session.

Expectations of a half-point cut in bank base rates to 9 1/2 per cent either this or next week ensured stability among the shorts, although trade was light. Business also contracted in the index-linked sector and occasional profit-taking checked the recent upturn.

Barclays down again
A profits downgrade of Barclays by stockbrokers de Zoete and Bevan, which came hard on the heels of a significant downward revision by Rowe and Pitman, prompted renewed weakness in Barclays and deterred interest in the other clearers. Barclays closed 5 1/2 lower at 492p, as did NatWest at 745p, while Lloyds, 542p, and Midland, 522p, cheapened 3 apiece.

The post-announcement of the 4 per cent current price increase which was to be implemented in July continued to depress Blue

FINANCIAL TIMES STOCK INDICES
Table with columns for Date, Index, and various stock categories like Government Secs, Fixed Interest, Ordinary V, Gold Min, etc.

STC, after 144p.
GKN met with late support and closed 8 clearer at 543p. Elsewhere in Engineering, United Spring rose 9 to 599p following revised preliminary buying and Hanson Industries moved up 3 to 89p for the same reason.

The Food sector provided many of the day's more interesting movements. The Bee Corporation / Associated British Foods Fine Fare deal stimulating a lively trade in Food Retailing, following the preliminary details of the share exchange bid by Thomson T-Line 7 to the good at 212p, after 315p. Pearson continued to reflect US bid hopes with a fresh improvement of 8 at 480p, while speculative

Wright Collins Rutherford Scott were suspended at 468p, a rise of 3 on the session; the company had earlier confirmed the acquisition of FCC, a London-based consumer agency. Paper/printings also attracted occasional support with DRG, down to 270p earlier, closing a net 3 to the good at 276p. David S. Smith put on 7 more to 240p as investors continued to express interest in the value of the acquisition of St Regis.

Occasional buying interest was forthcoming for Property leaders. Hammerson A rose 10 to 450p and Peasey hardened a couple of pence to 265p. Elsewhere, Mountfield, which on Tuesday announced the acquisition of a portfolio of properties for 257.8m, rose 65 to 300p, but Regular encountered scrappy selling and shed 20 to 555p; the latter's annual results are due next Wednesday. Stockley rallied firmly ahead of Friday's official opening of the Stockley Park development and closed 3 clearer at 57p, while similar gains were seen in Kierston Trust at 95p and Phoenix Property at 89p. Frogmore Estates found support at 194p, up 6, while Percy Billton rallied a couple of pence to 220p. Firm on Tuesday following bid news, Sammel Properties eased 7 to 259p and Claymore gave up 3 to 275p. Country Gentlemen's Association were quoted at 23p, down 1, pending further developments in the battle for control of the company between Fredrick Place and Bestwood.

Interests in the City's selected secondary counters. Altkas Bros advanced 5 more to 175p on buying ahead of next Tuesday's preliminary results and put on 6 more to 218p. Computer met-buyers attracted revived support ahead of next Thursday's preliminary results and put on 6 more to 218p. Computer met-buyers attracted revived support ahead of next Thursday's preliminary results and put on 6 more to 218p.

Advertising agencies took Tuesday's recovery in hand. 20th Century Fox touched 205p before settling 20 higher on balance at 199p in response to the increase in advertising dividend and the chairman's confident statement. Dealings in

FINANCIAL TIMES STOCK INDICES (continued)
Table with columns for Date, Index, and various stock categories like Government Secs, Fixed Interest, Ordinary V, Gold Min, etc.

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time throughout the session. Royal Dutch were an exception and put on almost 5 points to 2921 following sustained buying movements in the Continent interest in the second-liners were minimal but Charterhall continued to attract good support following Wessex's recent moves to gain control and put on 8 more to 32p. Great Western Resources added a similar amount to 73p while speculative demand lifted Warrior Resources 6 more to 34p.

The recent rally in South African Golds gathered pace during morning trading when renewed bear clearing took share prices sharply higher. However, a late decline in the Financial Rand triggered sustained selling of most South African issues from the majority of international dealing centres and prices ran back to close well below the day's best levels.

Financials and Platinums mirrored the performance of Golds. Anglo American Corporation edged up 5 to 725p on further consideration of the record preliminary profits announced. AngloGold advanced 11 more to 450p. De Beers hardened 4 to 417p, while in Platinums, Rustenburg jumped 35 to 660p and Impala added 22 at 540p. Lydenburg moved up 37 to 475p.

In the UK-domiciled issues, lack of interest left Rio Tinto Zinc 5 cheaper at 649p and Consolidated Goldfields, which on Tuesday announced a couple of pence off at 443p. Hampton Areas, on the other hand, rose 3 more to a 1986 high of 148p reflecting hopes of a bid from developing between the Alan Bond-controlled Metals Exploration, currently bidding 130p a share for Hampton Areas, and Mr Ron Brierley's IEP Securities which recently announced a holding of around 5 per cent in the UK-based company. Geveer Tia rallied 4 to 89p on news that the company had postponed a decision to close the mine for good and appointed Mr Edward Nassar to the board. Mr Nassar acquired RTZ's 18.8 per cent stake in Geveer a couple of months ago.

Gold's were outstanding in a generally flat Australian mining sector, reflecting rumours that the Federal Government has abandoned plans to impose a 10 per cent tax on gold exports. Central Norseman put on 7 to 347p and Sons of Gwalia rose 6 to 187p. Gold Mines of Kalgoorlie added 4 at 52p, with the "M" shares 3 up to 17p and ACM hardened a couple of pence to 88p.

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EQUITIES
Table with columns for Stock, Change, High, Low, etc.

FIXED INTEREST STOCKS
Table with columns for Stock, Change, High, Low, etc.

"RIGHTS" OFFERS
Table with columns for Stock, Change, High, Low, etc.

TRADITIONAL OPTIONS
Table with columns for Stock, Change, High, Low, etc.

RISES AND FALLS
Table with columns for Stock, Change, High, Low, etc.

NEW HIGHS AND LOWS FOR 1986
Table with columns for Stock, Change, High, Low, etc.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns for Index, Day's Change, etc. for various equity groups and sub-sections.

FIXED INTEREST

Table with columns for Price Indices, Index, Day's Change, etc. for various fixed interest instruments.

YESTERDAY'S ACTIVE STOCKS

Table with columns for Stock, Change, High, Low, etc. for yesterday's active stocks.

TUESDAY'S ACTIVE STOCKS

Table with columns for Stock, Change, High, Low, etc. for Tuesday's active stocks.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Stock, Change, High, Low, etc. for European options exchange.

LONDON TRADED OPTIONS

Table with columns for Stock, Change, High, Low, etc. for London traded options.

Table with columns for Stock, Change, High, Low, etc. for various options and futures.

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WORLD STOCK MARKETS

Table of stock market data for various countries including Austria, Germany, Norway, Australia, Japan, Canada, Denmark, Italy, Netherlands, and Switzerland. Columns include country, stock name, price, and change.

Table of stock market data for Canada, including Toronto and Montreal. Columns include stock name, price, and change.

Table of stock market indices for New York, London, and other major markets. Columns include index name, value, and change.

Table titled 'OVER-THE-COUNTER' showing Nasdaq national market data with columns for stock name, price, and change.

Table titled 'LONDON' showing Chief price changes for various commodities and currencies.

Advertisement for 'Get your News early in Stuttgart' featuring a newspaper illustration and contact information for the Stuttgart office.

Advertisement for 'BRUSSELS' featuring a ship illustration and text about decision-makers worldwide.

Advertisement for 'Special Subscription HAND DELIVERY SERVICE' for the Financial Times in Oslo & Stavanger.

Prices at 3pm, June 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices for various companies, organized in columns with headers for stock names, prices, and changes.

Continued on Page 41

Handwritten signature or mark at the bottom center of the page.

Vertical text on the right edge of the page, possibly a page number or reference.

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change. Includes sub-sections like 'Continued from Page 40' and 'Over-the-Counter'.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

OVER-THE-COUNTER Nasdaq national market, 2:30pm prices

Table of Over-the-Counter prices listing various stocks with columns for stock name, price, and change.

Advertisement for 'ISTANBUL' featuring 'SPECIAL SUBSCRIPTION HAND DELIVERY SERVICE' and 'FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER'.

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Rate hopes dampened by bankers

A WARNING note on inflation and interest rates from the meeting of central bankers in Boston sent Wall Street markets spiralling downwards yesterday, writes Terry Byland in New York.

The stock market opened firmly but plunged sharply as bond market yields surged towards the 8 per cent range last seen in the middle of March.

Mr Paul Volcker, the Fed chairman, reportedly warned the Boston conference that US inflation levels remain under threat from trends in oil prices and wage levels. His words were apparently echoed by central bankers from Europe and Japan, who saw little scope for further falls in interest rates at present.

Wall Street interpreted these views as bullish for prospects for any easing in official credit policies. By midsession, yields on long-dated bonds had soared to 7.5 per cent, their highest since the bond market changed direction three months ago. However, bond prices tried to steady when crude oil futures fell sharply on the New York Mercantile Exchange.

At 3pm the Dow Jones industrial average was down 11.71 at 1,858.72.

Stock market turnover increased as the surge in bond yields triggered programmed selling of blue-chip stocks. Buyers backed away, leaving prices to react to the generally nervous mood.

A further blow to the market came from IBM, which fell 3 1/4% to \$149 in hefty selling as worries over the outlook for second-quarter earnings resurfaced. Also clouding the marketplace were poor sales figures from the Detroit car manufacturers. General Motors lost 1 1/4% to \$77 1/4, Ford 1 1/4% to \$53 3/4 and Chrysler 3/4% to \$35 1/4.

Approval by the US Food and Drug Administration for commercial sale of interferon, the anti-cancer drug, enlivened the pharmaceutical sector. Schering-Plough, already producing the drug, gained 5/8% to \$75 1/4. While on the over-the-counter markets, Genentech, which has collaborated in Interferon Development with Hoffmann-La Roche, gained \$2 1/2% to \$83 1/4, and Biogen, similarly linked with Schering-Plough, added \$1 to \$18 1/4.

A \$1.6bn order from Cathay Pacific for its 747 aircraft boosted Boeing 5/8% to \$57 1/4. Other Aerospace defense issues looked mixed as the Senate began debating the new tax reform bill. General Dynamics fell 1 1/4% to \$79 1/4.

Renewed worries over interest rates failed to stem a recovery in insurance issues from the setback reflecting Florida's plan to reduce premiums. Aetna climbed 1 1/4% to \$81 1/4 in heavy turnover.

Banks stocks, too, were little affected by another surge in short-term and money market rates. Citicorp added 5/8% to \$47 1/4, and Chase Manhattan at \$42 lost only 5/8% of recent strength.

A jump of 2.9 per cent in gasoline stockpiles lowered crude oil futures and also stocks in the oil companies. Exxon dipped 5/8% to \$59 1/4, Atlantic Richfield 5 1/4% to \$53 1/4 and Chevron 5/8% to \$40.

But airline issues drew no benefit from the downturn in oil futures. United at \$57 1/4, lost \$1 and American was 3/8% off at \$57 1/4.

Other features included United Jersey Banks, down 3/4% to \$43 1/4 on its move to acquire Commercial Bancshares, up 5/8% to \$57 1/4. Brokerage recommendation lifted Maytag, the washing machine manufacturer, up 1 1/4% to \$48 1/4 and RJR Nabisco 3/4% to \$48 1/4.

The credit markets sagged heavily as the session progressed. Treasury bill rates gained 13 basis points, putting three-month rates at 6.52 per cent as year-end hopes for a cut in the federal discount rate fled out of the window.

Losses in bonds were extended to nearly two points, with the longer dates taking the most punishment as fears of inflation were revived.

LONDON

Fund-raising moves fail to hinder

MARKET SENTIMENT continued to firm in London yesterday despite the counter-attraction of the Epsom Derby which obviously restrained both attendance and business.

Confirmation of the deal between Dee Corporation and Associated British Foods left the former 7p lower at 245p and the latter 12p down at 334p.

Cash resources were also tested by Hanson Trust which placed 10m shares with some UK and US institutions. Therefore few funds were available for investment in other blue chips except for Reed International which rose on excellent annual profits. It ended up 78p at 922p.

The FT Ordinary share index edged 0.2 higher at 1,320.6.

Gilts bounded initially but eased slightly to end around 1/2 higher on the day.

Chief price changes: Page 38; Details, Page 38; Share information service, Pages 36-37

EUROPE

Stockholm climbs to fresh peak

THE FRESH peak attained in Sweden yesterday proved to be one of the few positive features in a weaker and more cautious Europe.

Stockholm sprinted to another high in heavy volume amid market speculation that changes to the capital gains tax regime were imminent. The Veckans Afarar All Share index firmed a further 7.2 to a record 828.7.

Electrolux returned to the top of the active list with a SKr 2 gain to SKr 281 following yesterday's SKr 2bn international stock issue in Europe, North America and the Far East.

Volvo was also active but moved against the trend with its SKr 2 fall to SKr 430 in a mid bout of profit-taking.

Asea registered a healthy SKr 6 gain to SKr 382, while Ericsson finished SKr 5 higher at SKr 270.

Fermenta added SKr 1 to SKr 187, while Pharmacia lost SKr 2 to SKr 221.

Frankfurt met with a beady dose of late bargain hunting after Tuesday's sharp fall. The midsession calculation of the Commerzbank index - down 8.7 to 1,894.9 - did not reflect the afternoon strength.

Some brokers now feel that the market has found a new support level, although unease persists over the June 13 elections in Lower Saxony where the ruling Christian Democratic Party is likely to meet stiff resistance.

The Government's creation of a new environment ministry - partly as a result of the Chernobyl disaster and as defence against criticism from the environmentalist Green party - was well received and utilities made broad gains. Veba added DM 9.20 to DM 280, RWE advanced DM 6 to DM 226, while VEW closed DM 2 stronger at DM 161.

Daimler managed a partial recovery from Tuesday's sharp decline with a DM 26 rise to DM 1,310, while Porsche gained DM 20 to DM 1,050.

Volkswagen, which is renegotiating its truck joint venture with MAN, slipped DM 1 to DM 537.

The bond market found inspiration from the overnight surge in the US credit markets. Longs added up to 3/4 of a point with the decline of the dollar un-

derpinning sentiment. Both tranches of the new federal loan stock added 25 basis points to 97.25 and 98.25, respectively, while the 6 per cent 1988 stock added 56 basis points to 100.05.

The Bundesbank bought a hefty DM 105m worth of domestic paper after buying DM 34.3m on Tuesday.

Amsterdam was mixed in moderate turnover. Internationals regained some confidence as Royal Dutch added Ft 2.40 to Ft 198.90 and Hoogovens firmed Ft 1.60 to Ft 114. Philips continued weaker with its 80-cent decline to Ft 58.10 and KLM dipped 40 cents to Ft 50.80.

Alco, which announced the purchase of a UK chemical group, edged 10 cents lower to Ft 172.20, while aerospace group Fokker firmed Ft 1.30 to Ft 90.50.

German demand was evident for Nedlloyd, which left the shipping group Ft 7 higher at Ft 170.

Insurers were firm with Stad Rotterdam jumping Ft 4.50 to Ft 133.50 on its recent better-than-expected first-quarter figures.

Paris was still in the grip of a technical correction which left the broad market 2.17 per cent lower. Valeo fell Ffr 11.50 to Ffr 496.50 amid the De Benedetti management moves.

Brussels turned lower with utilities weak. Holding group Societe Generale de Belgique lost Bfr 20 to Bfr 2,930.

Zurich was easier with the weaker dollar and stop-loss selling depressing the broad market.

Milan fell with technical factors forcing the BCI index 3.9 per cent lower.

Oslo stood with a 50 cent rise for Norsk Hydro at Nkr 157.50 as Kvaerner slipped Nkr 2.50 to Nkr 133.

Madrid was lower in quiet trading

Stocks sought for capital gains the top four positions on the active Kawasaki Steel was the busiest 130.02m shares, adding Y10 to Y16, which rose Y5 to Y180. Nippon went up Y8 to Y152 on the third he trading of 44.86m shares and Isbikma-Harima Heavy Industries Y228, placing fourth with 37.67m.

Some biotechnology-related continued attracting investor into Kuraray, whose new anti-cancer will be put into clinical experiment shortly, spurred Y80 to Y2,150, while owa Hakkos jumped Y100 to Y1,930. Milk-Products soared Y70 to Y890, Brewery Y80 to Y1,520 and Ajino Y80 to Y1,970.

The year's firmness pushed down blue chips. Matsushita Electric Indus at lost Y30 to Y1,530 and Toyota M shed Y30 to Y1,520. However, expectations of brisk demand for a newly de-oped throw-away camera pushed up Photo Film Y220 to Y2,900. Oki Elec also climbed Y27 to Y788.

Investors bought some car parts makers in the wake of a report that pl and equipment investment by 11 makers for the current fiscal year wd total Y980bn, which would be an all-t-igh for the second consecutive year. sin Seki closed at Y1,000, advanc Y84, while Yaskawa Electric finis Y13 higher at Y527.

Reflecting the Government's moves work out an overall development p for the Tokyo Bay area, issues with m-ive real estate holdings there drew p-ularity. Nichirei increased Y19 to Y7 Onoda Cement Y23 to Y473 and Nipp Suisan Y15 to Y480.

Constructions and other issues ber-ting from domestic demand expans-ased along with financial and ins-ance stocks.

Dealers bought government bond-ures in the wake of the first rally in- sessions in the New York bond mar-overnight. The cash bond market firm-as well.

The yield on the benchmark 8.2-ent government bond due in July 198 slipped below 5 per cent to 4.945 per cent against Tuesday's 5.055 per cent at that on the 5.1 per cent governme-bond maturing in March 1986 fell fr-5.240 per cent to 5.010 per cent.

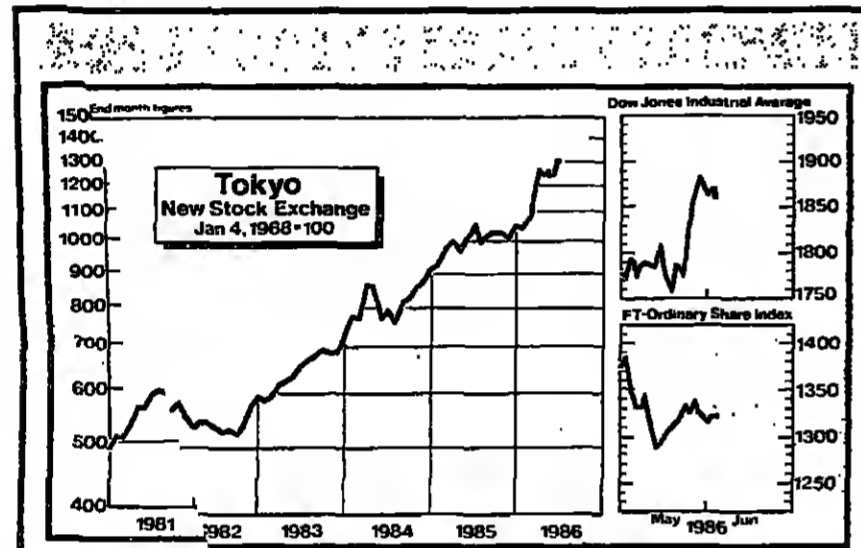
The bond price gain was unexpect-by many market participants. There-widespread doubt that buy orders w-be sufficient to meet the massive sell-anticipated to follow if yields drop to-expected levels of 4.9 per cent for the- per cent bond and 5.0 per cent for the-

TOKYO

Institutions spur rise to record

INSTITUTIONAL investors and speculators bought large-capital issues to seek gains in Tokyo yesterday and the Nikkei average rallied to an all-time high, writes Shigeo Nishitani of Jiji Press.

The indicator leaped 133.21 to a record 18,802.75 in hectic trading of 1.175m shares compared with Tuesday's 834m. Gains led losses 447 to 419, with 119 issues unchanged.



STOCK MARKET INDICES			
	1984	1985	Year ago
NEW YORK			
DJ Industrials	1,858.72	1,870.43	1,310.83
DJ Transport	795.77	797.88	651.88
DJ Utilities	185.15	188.02	163.78
S&P Composite	243.1	245.51	190.04
LONDON			
FT Ord	1,320.6	1,320.4	1,017.1
FT-SE 100	1,601.4	1,602.2	1,336.6
FT-A All-share	787.18	788.80	634.66
FT-A 500	869.08	873.33	696.02
FT Gold mines	224.4	224.9	444.3
FT-A Long gilt	9.23	9.25	10.58
TOKYO			
Nikkei	18,802.75	18,669.12	12,583.3
Tokyo SE	1,304.38	1,302.6	991.17
AUSTRALIA			
All Ord.	1,223.3	1,220.5	961.2
Metals & Mins.	518.6	515.9	180
AUSTRIA			
Credit Aktien	118.40	120.41	117
BELGIUM			
Belgian SE	3,608.81	3,618.52	2,371.1
CANADA			
Toronto			
Metals & Mins	2,155.6	2,172.4	1,352
Composite	3,094.1	3,096.4	2,752.9
Montreal			
Portfolio	1,576.77	1,585.19	134.43
DENMARK			
SE	229.61	227.56	191.42
FRANCE			
CAC Gen	351.10	359.1	232.0
Ind. Tendence	131.80	134.7	84.1
WEST GERMANY			
FAZ-Aktien	627.72	628.93	457.73
Commerzbank	1,894.90	1,901.6	1,344.2
HONG KONG			
Hang Seng	1,756.67	1,757.91	1,643.35
ITALY			
Banca Comm.	790.10	820.88	302.77
NETHERLANDS			
ANP-CBS Gen	289.60	290.2	212.5
ANP-CBS Ind	281.70	283.2	174.6
NORWAY			
Oslo SE	353.38	352.08	343.87
SINGAPORE			
Straits Times	693.25	695.31	809.13
SOUTH AFRICA			
JSE Golds	1,227.0	1,037.1	
JSE Industrials	1,161.4	963.0	
SPAIN			
Madrid SE	181.53	184.04	81.77
SWEDEN			
J & P	2,426.75	2,373.78	1,347.00
SWITZERLAND			
Swiss Bank Ind	564.20	571.0	435.8
WORLD			
MS Capital Int'l	316.8	314.8	213.8
COMMODITIES			
(London)			
Silver (spot fixing)	342.55p	343.85p	
Copper (cash)	£941.50	£934.50	
Coffee (July)	£1,853.50	£1,862.50	
Oil (Brent blend)	\$11.95	\$12.70	
GOLD (per ounce)			
(London)			
June 4	\$341.45	\$341.75	
Zürich	\$340.85	\$342.35	
Paris (frang)	\$343.38	\$341.30	
Luxembourg	\$341.80	\$341.80	
New York (Aug)	\$344.90	\$345.80	

CURRENCIES				
	US DOLLAR	STERLING		
(London)	June 4	Previous	June 4	Previous
\$	-	-	1,4835	1,4935
DM	2,278	2,274	3,38	3,395
Yen	171.35	171.55	254.25	256.25
FFr	7,2525	7,24	10,76	10,8175
SFr	1,8845	1,879	2,795	2,805
Guilder	2,5810	2,557	30	3,8175
Lira	1,569	1,560	2,313	2,330
RfR	46.45	46.45	68.9	69.35
CS	1,9925	1,9955	2,0635	2,0785
INTEREST RATES				
Euro-currencies	June 4	Prev		
(3-month offered rate)				
\$	9 1/4%	9 1/4%		
SFr	4%	4%		
DM	4%	4 1/4%		
FFr	7 1/4%	7 1/4%		
FT London interbank fixing				
(offered rate)				
3-month US\$	7 1/4%	7 1/4%		
6-month US\$	7%	7%		
US Fed Funds	7 1/4%	7 1/4%		
US 3-month T-bills	6.85%	6.875%		
US 3-month T-bills	6.53%	6.58%		
US BONDS				
Treasury				
	June 4	Prev	Yield	Day's
	Price	Yield	Price	change
1-1988	95 1/2	7.607	95 1/2	7.52
7-1993	95 1/2	8.289	95 1/2	8.177
7-1996	93 1/2	8.368	94 1/2	8.22
7-2016	92 1/2	7.924	93	7.85
Source: Harris Trust Savings Bank				
Treasury Index				
Maturity	Return	Day's	Yield	Day's
(years)	index	change		change
1-30	145.94	-1.26	8.27	+0.18
1-10	140.30	-0.85	8.12	+0.18
1-3	144.02	-0.25	7.71	+0.11
3-5	144.92	-1.01	8.40	+0.23
15-30	168.7	-2.67	8.79	+0.17
Source: Merrill Lynch				
Corporate				
	June 4	Prev	Yield	Day's
	Price	Yield	Price	Yield
AT & T				
3 1/2 July 1990	89 1/2	96	90	6.72
SCBT South Central				
10 1/2 Jan 1993	105	8.6	106	8.04
Phibro-Sal				
8 April 1996	96.36	8.55	96.36	8.55
TRW				
8 1/2 March 1996	100.953	8.6	101 1/2	8.50
Arco				
9 1/2 March 2018	103 1/2	9.49	104	9.37
General Motors				
2 1/2 April 2015	91 1/2	8.97	93	8.79
Citicorp				
9 1/2 March 2016	96 1/2	9.70	98	8.56
Source: Salomon Brothers				
FINANCIAL FUTURES				
CHICAGO				
	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8 1/2 32nds of 100%				
June	91-14	94-08	91-07	93-14
US Treasury Bills (IBB)				
\$1m points of 100%				
June	93.49	93.62	93.48	93.51
Certificates of Deposit (IBCD)				
\$1m points of 100%				
June	93.18	93.20	93.18	93.22
LONDON				
Three-month Eurodollar				
\$1m points of 100%				
June	92.87	92.94	92.83	92.88
20-year National Gilt				
£50,000 32nds of 100%				
June	123-03	123-24	123-00	123-04
Source: Salomon Brothers				

AUSTRALIA

MINING AND resource issues responded to the weaker local dollar to pull Sydney out of the trough of the past two sessions. Prices turned higher across the board as investors snapped up what they considered to be bargain prices stocks.

Gold gained from news that the right-wing of NSW's ruling Labour Party was opposed to a gold tax. Both Kidston and Central Norseman advanced 30 cents to A\$5.90 and A\$7.40 respectively, while Emperor added 10 cents to A\$3.15 and Sons of Gwalia gained 15 cents to A\$3.95.

Pioneer Concrete shed 5 cents to A\$2.80 after facing A\$79m in shares while its suitor, FAI Insurance, added 14 cents to A\$6.70.

HONG KONG

THE LOWER TREND continued in Hong Kong yesterday in the absence of any fresh factors. The Hang Seng index drifted 1.24 lower to 1,756.67 and the Hong Kong index eased 0.18 to 1,094.17.

Cathay Pacific succumbed to technical selling and fell back 5 cents to HK\$5.60. Further speculation that Cable & Wireless may take a stake in Hongkong Telephone pushed the utility 10 cents higher to HK\$11.80.

Elsewhere among utilities, China Light eased 10 cents to HK\$15.70 and Hongkong Electric 5 cents to HK\$8.90.

SINGAPORE

SOME EARLY profit-taking was countered by late buying in Singapore and prices ended mostly mixed.

Singapore Airlines was one of the most active stocks. The issue ended unchanged at S\$8.75.

In other actives, Cold Storage rose 14 cents to S\$9.06, Jack Chai-MPH advanced 17 cents to S\$1.22 and Haw Par added 3 cents to S\$2.68.

Fraser & Neave gave up 10 cents to S\$8.78, National Iron 6 cents to S\$3.46, Incheong 8 cents to S\$1.77 and Rothmans 18 cents to S\$3.98.

Among banks, OCBC gained 15 cents to S\$7.00, DBS 5 cents to S\$6.10.